

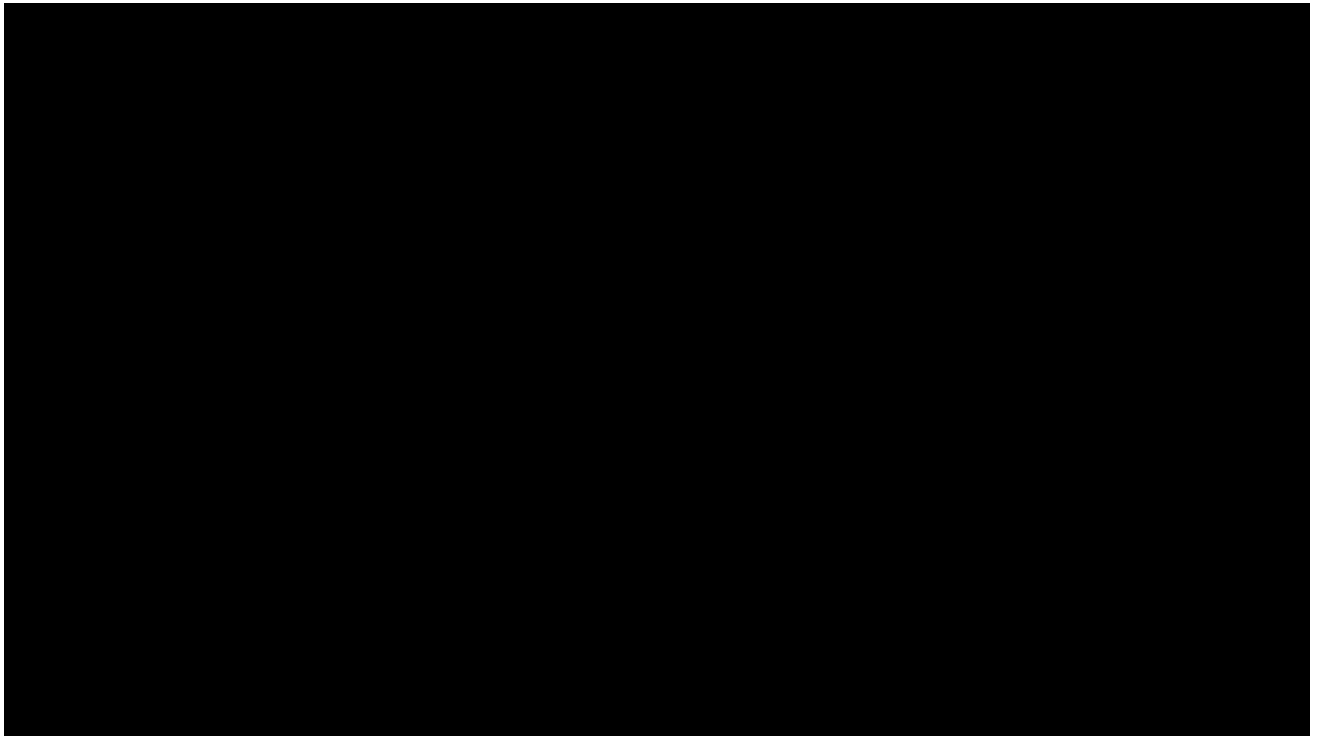
Tab 32



LIVE

Chicago bribery investigation puts brakes on Orange Co. red light camera install

Updated: Mar 12, 2013 - 4:17 PM




ORANGE COUNTY, Fla. — Orange County is putting the brakes on plans to install dozens of new red light cameras.

The decision comes in part because one of the companies that want the contract is at the center of a bribery scandal in Chicago.

Channel 9's Racquel Asa obtained a letter the company wrote explaining its past problems to Orange County leaders.

Questions were raised after commissioners received the letter from Redflex Traffic Systems, informing the county of the company's internal investigation into bribery allegations.

 "This letter is indicative of a serious, serious problem in this company," said County Commissioner Fred Brummer. **LIVE**

In the letter, the company said it has made changes to its leadership and added anti-bribery training for its employees.

"I literally just received it this morning, so I think it would be premature for me to comment," said Orange County Mayor Teresa Jacobs.

Channel 9 learned that the project is now pushed back at least two weeks. That means the first 10 cameras likely won't be installed until June.

The county has already identified where it wants to install the 80 cameras. Now the issue is not where they would go, but a matter of which company would put them in.

Existing cameras have already decreased crashes by 35 to 78 percent, according to the county.

Jacobs said she is concerned that the scandal in Chicago will overshadow how effective the cameras are.

"When you see situations like this, it certainly raises the concern with those who think it's all about money," said Jacobs.

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Tab 33

News / Local news / Clout Street

Ald. Burke calls for hearings on Redflex bribery questions



A Redflex red-light camera operates at West Cermak Road and South Canal Street. (John J. Kim, Chicago Tribune)

By **John Byrne**
Clout Street

MARCH 13, 2013, 4:36 PM

The chairman of the City Council's Finance Committee today called for hearings into allegations that Chicago's red-light camera contract was likely built on a \$2 million bribery scheme.

The company, Redflex Traffic Systems Inc., already is under investigation by Chicago Inspector General Joseph Ferguson and has been banned by Mayor [Rahm Emanuel](#) from competing for its soon-to-expire red-light contract. The Emanuel administration ordered an audit of that contract and also blocked Redflex from competing for the mayor's upcoming speed camera program.

The actions were prompted by Chicago Tribune reports questioning the relationship between Redflex's Chicago consultant and the former city transportation manager who oversaw the growth of the contract into

the company's largest North American enforcement program. Redflex admitted in a filing with the Australian Securities Exchange that an internal investigation found that an arrangement that included more than \$2 million in company compensation to the consultant would likely be considered bribery by authorities.

Now Ald. [Edward Burke](#), 14th, says he wants to conduct his own fact-finding hearings.

"I think somebody ought to be looking at whether the company is responsible for what happened, and not just blame city employees, but see whether this company actually is a fit company to do business here or anywhere else in the country," Burke said after introducing a City Council resolution requesting city officials to appear at hearings.

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This article is related to: [Chicago Tribune](#), [Rahm Emanuel](#), [Edward M. Burke](#), [Chicago Mayor](#)

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Politics

Pensacola Taking Bids from Bribery-Scandalized Red-Light Camera Company

By [ERIC GIUNTA \(/TAXONOMY/TERM/140\)](#)

March 13, 2013 - 7:00pm

Just days after [the Orlando Sentinel reported \(%5C\)that Orange County is preparing to contract with a red light camera company embroiled in bribery scandals \(%5C\)](#) in at least three different jurisdictions, Sunshine State News has discovered the same company is bidding for a contract with the city of Pensacola.

[City records show \(%5C\)that](#), as of 2:30 p.m. on Jan. 13, 2013, Redflex Traffic Systems had joined four other companies in placing bids to install the controversial enforcement devices at several of the Gulf Coast cultural capitals intersections.

Redflex recently [lost its Chicago contract \(%5C\)after a year-long \(and continuing\) investigation by the Chicago Tribune \(%5C\)](#) implicating the company in a \$2 million bribery scheme involving at least one city official.

At the Tribune's instigation, Redflex conducted its own internal audit, canned some of its top executives, and is now exploring possible bribery in two other unnamed geographies that raise concern, Michael McConnell, interim board chairman of Redflex Holdings, has reportedly told stakeholders.

Regarding the bidding process, examining a vendors track record and reputation is always part of our due diligence process in determining the 'lowest and most responsible' bidder, Derek Cosson, the Pensacola's public information officer, tells SSN. Our efforts regarding red light camera enforcement are essentially on hold due to the uncertainty about the issue [with the current legislative session \(%5C\)](#). We will not be moving forward with [deciding on a vendor] until after the session at the earliest.

Rep. Frank Artiles, R-Miami, [who has introduced legislation to make it tougher \(%5C\)](#) to enforce red light violations caught by traffic cameras, expresses dismay that Redflex is a serious contender for obtaining contracts from Florida cities and counties.

I think it's ridiculous that this company is actually being considered as a front-runner with all the bribery scandals and everything that comes with that, he tells SSN. Its a shame that a bribery scandal in Chicago is trickling down to Florida. I believe in a free market and competition, but when someone has a track record of bribery and backdoor dealings, that has to be taken into consideration, and not just the price [of the bid].

I sure hope elected local officials take this into consideration when selecting a company.

Asked for comment on the Orange County developments (%5C), Redflex directed SSN to the following statement by Robert T. DeVincenzi, president and CEO of Redflex Holdings and CEO of Redflex Traffic Systems:

We recently announced new leadership and a comprehensive series of system improvements in our business to support the highest ethical standards. Those actions marked the dividing line between the past and where our company is headed. Each of the changes follows information uncovered during an internal investigation by the law firm of Sidley Austin.

"We gave the firm unfettered access to our people and our records and directed that its inquiry run without limitation. While we may discover additional information, we have already learned enough to take the previously-announced steps that were necessary to change our company. We are working, each day, to recapture the trust of our clients, the public and our own employees. This day, and every day, we intend to be a constructive force in the industry, meeting the needs of communities across the country and serving the public interest.

Cosson tells SSN the city of Pensacola has installed the red light cameras only at one intersection as part of a pilot program. The City Council unanimously voted to approve the cameras in 2010.

Reach Eric Giunta at egijunta@sunshinestatenews.com (<mailto:egijunta@sunshinestatenews.com>) and at (954) 235-9116.

Comments are now closed.

Tab 35

NewsRoom

3/15/13 Chi. Trib. 1
2013 WLNR 6480217

Chicago Tribune
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March 15, 2013

Section: News

1st Redflex probe raises questions
Experts puzzled by different results in investigations of company practices

David Kidwell, Tribune reporter; Tribune reporter Ameet Sachdev contributed.

When a red-light camera executive warned his bosses of an alleged bribery scheme in Chicago so serious it would "take down the contract and most likely the company," the corporate chiefs turned to the national law firm Quarles & Brady for help.

The result was a three-week, Quarles-led internal investigation that would mostly clear its client and end without a hint to stockholders -- or to City Hall -- that there might be a problem. For the next two years, millions of dollars continued to flow to Redflex Holdings Ltd. from its Chicago contract, the Australian company's largest and most lucrative camera program.

Those days are now long gone.

In the aftermath of Chicago Tribune reports last year about the close relationship between the company, its Chicago operations consultant and the former city official who oversaw its decadelong contract, Redflex now says the Chicago program was likely built on a \$2 million bribery scheme and that the company-initiated internal investigation in 2010 was "clearly inadequate."

Those were the findings of a second law firm hired by the company in October following the newspaper reports, which also prompted Mayor Rahm Emanuel to accuse Redflex of deceiving City Hall and call for an investigation by the city's inspector general.

The starkly contrasting conclusions of two different law firms investigating the same claims have some legal experts scratching their heads.

"There is definitely a tale to be told there," said James Grogan, chief counsel of the state Attorney Registration and Disciplinary Commission. "There's no way to really know without all the facts, but much of it has to do with the nature of the relationship between the law firm and corporation.

"I mean, if you are hamstrung, limited on the people you are allowed to interview, the availability of records from outside the country, noncooperative employees, you might be stuck because of the limitations set by the company itself," he said. "The bottom line is they have a duty of competency, and to do as exacting a job as permissible under the conditions of that relationship.

"Sometimes the law firms themselves are the victims of a conspiracy."

John W. Daniels Jr., chairman of Milwaukee-based Quarles & Brady LLP, referred all questions to Redflex at the request of the company. Redflex representatives declined to comment.

"Quarles & Brady LLP provides excellent, timely and appropriate legal work for its clients, including completing internal investigations within the confines of the projects clients retain us to perform in any matter," the firm said in a statement to the Tribune. "The ethical rules that govern our conduct limit what we may say about our representation in any particular case without first receiving approval from our client."

In October, one of the law firm's longtime Chicago partners, Sanford Stein, accompanied the general counsel of Redflex's Phoenix subsidiary -- Redflex Traffic Systems Inc. -- to the Tribune's offices to be interviewed about the company's response to a 2010 whistle-blower letter. The letter, sent to the board of directors of the Australia-based parent company, detailed how the company plied former Chicago transportation official John Bills with "non reported lavish vacations" and the "illegal transfer of 'commission' " to him through its Chicago consultant.

Bills and the consultant, Marty O'Malley, have denied any wrongdoing.

Both Stein and then-Redflex General Counsel Andrejs Bunkse discredited the allegations during the October interview. They told the newspaper the Quarles & Brady review found no merit to the accusations, aside from one inadvertent \$910 hotel stay for Bills at the Arizona Biltmore paid by a top company salesman who was disciplined with anti-bribery training.

"When I read the letter I expected to find a great deal more," Bunkse said in the interview. "And we dug in very deeply, exhaustively into the expense reports and records of the company to the point of extreme redundancy, and the issue -- the one instance of a problem -- was this one instance where there were no meals reimbursed, there was no flight reimbursed and a two-day hotel stay was found.

"In every other instance, nothing else came up that was problematic," Bunkse said.

Stein even staked his firm's 120-year reputation on it.

"It's our reputation that we put on the line every day for every client. But it is our reputation of our law firm that is far more important -- and our service -- that supersedes everything," Stein said toward the beginning of the interview. "So we are happy to say that our investigation, which Andy will talk about, is consistent with the high quality standards that we support."

Later in the interview, Stein sought to reinforce that the results were trustworthy because of the firm's involvement.

"It was one incident, and never repeated and it's -- you know -- it is what it is. We can't make that fact disappear, but it is what it is. And it's not a series of events," Stein told the newspaper. "I am telling you that our reputation is such that you can count on that."

Stein declined to comment for this story.

In October, the attorneys also detailed what Bunkse described as a "deep dive" investigation.

"We, Quarles & Brady, reviewed exhaustively expense reports, interviewed every individual that is affiliated that is an employee of our company that is mentioned in this letter, asked questions directly related to allegations contained in the letter, particularly about Chicago, went through all of the company's records relating to the Chicago contract and came up with one instance of an oversight and a lapse," Bunkse said.

"We spent nearly \$100,000 in an investigation in which our CEO -- imagine how uncomfortable this is -- our CEO sat off to the side because of all the things raised in this letter," Bunkse said. "It was taken quite seriously, and I will tell you again when I read the letter for the first time I thought that there was a lot more to it than there actually was after this big effort, I mean a big shut-down-the-company effort that occurred."

After the Emanuel administration began to take actions against the company last year and city investigators issued subpoenas, the company hired a second law firm, Sidley Austin LLP, to "conduct a new, independent and unrestricted investigation" into the allegations, according to the company's summary filed publicly March 4 with the Australian Securities Exchange.

The Sidley team, led by former city inspector general and federal prosecutor David Hoffman, dove deeper. After four months and upward of \$2.5 million in legal costs, the Sidley team reported that the allegations in the whistle-blower memo "did, in fact, have merit."

Hoffman's team found the company plied Bills with 17 trips, including hotels, flights, rental cars, meals and golf outings, according to the summary report. It also found that the \$2.03 million in company compensation to the Redflex consultant was likely part of a bribery scheme that would have made "any reasonable person highly suspicious."

The Hoffman findings also criticized the 2010 investigation and the company's oversight.

"The investigation consisted of interviews of three Redflex officials, no email review and very limited document review," a summary of the findings stated. "There was no attempt to interview the consultant. Some of those interviewed by the law firm did not provide complete and truthful information."

According to Hoffman's findings, the first investigation "was conducted in a manner that was clearly inadequate to determine whether the allegations were true, and there was inadequate oversight." He also found that some of the company's disclosures to the Tribune and to City Hall in October were "inaccurate and misleading."

"Among other things, it was improper for them to describe the 2010 investigation and the associated expense review as 'thorough, complete or exhaustive.' "

Redflex recently told its employees that the Phoenix office of Quarles & Brady led the first investigation of the whistle-blower letter, which in addition to the bribery allegations also made broad accusations of mismanagement by company executives. The investigation was led by an employment lawyer, which was not the proper approach given the allegations, the company told employees.

While not commenting on the specifics of Redflex's relationship with Quarles & Brady, legal experts interviewed said there are sometimes reasons to question internal investigations conducted by law firms that already have an ongoing client relationship with the corporation, which Quarles & Brady had with Redflex.

"This skepticism is based on the fear that regular corporate counsel may have a motive to avoid criticizing, and thus alienating, senior management, the source of perhaps sizable past and future law firm revenues," wrote David M. Brodsky, a New York lawyer who wrote a manual on internal investigation conduct for the American College of Trial Lawyers.

But Jim Fieweger, a former federal prosecutor and partner at the Chicago firm Williams, Montgomery & John Ltd., said large and diversified firms such as Quarles & Brady are often able to overcome such perceived conflicts by assigning different lawyers.

"You have to assume that Quarles & Brady was acting in good faith," Fieweger said. "There are rules that say you have to be competent and diligent. That doesn't mean you can't ever do a bad job. People are fallible, of course."

Mark Rotert, another former federal prosecutor and partner at Stetler, Duffy & Rotert Ltd., said law firms that feel thwarted by corporate officials who they are investigating are ethically bound to address it.

"I call a halt to the investigation and I go directly to the audit committee and I tell them I am getting the runaround," Rotert said. "These people are supposed to be big boys who are ready to accept bad news."

In the case of Redflex, two members of the parent company's audit committee, including the chairman of the board, resigned in the wake of the findings from Sidley, which has headquarters in Chicago and New York. In addition, the U.S. subsidiary's president, chief financial officer and Bunkse also resigned, and the executive vice president accused of putting the city official's trips on his expense account was fired.

Rotert said the mass departures suggest the company might be more responsible for the outcome of the first investigation.

"Those guys are good lawyers. They are not crazy," Rotert said of Quarles & Brady. "And if they came into your office and were willing to put their stamp of approval on something like this, that tells me that they were probably thoroughly deceived. I cannot imagine that they would have gone to the mat to defend the integrity of something if they had any qualms about it."

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Photo: Ex-city Inspector General David Hoffman led a team from Sidley Austin LLP, which was hired by Redflex to "conduct a new, independent and unrestricted investigation." Hoffman's findings criticized the first probe. JOSE M. OSORIO/TRIBUNE PHOTO

Photo: A Redflex red light camera keeps watch over a Chicago intersection. The company's contract with the city runs through June. CHRIS SWEDA/TRIBUNE PHOTO

---- Index References ----

Company: QUARLES AND BRADY LLP; REDFLEX HOLDINGS LTD

News Subject: (Corruption, Bribery & Embezzlement (1EM51); Crime (1CR87); Criminal Law (1CR79); Fraud (1FR30); Government Litigation (1GO18); Legal (1LE33); Social Issues (1SO05))

Industry: (Accounting, Consulting & Legal Services (1AC73); Legal Services (1LE31))

Region: (Americas (1AM92); Arizona (1AR13); Australasia (1AU56); Australia (1AU55); Illinois (1IL01); New York (1NE72); North America (1NO39); Oceania (1OC40); U.S. Mid-Atlantic Region (1MI18); U.S. Midwest Region (1MI19); U.S. Southwest Region (1SO89); USA (1US73))

Language: EN

Other Indexing: (James Grogan; Sanford Stein; CHRIS SWEDA; Mark Rotert; John W. Daniels; John Daniels; David Hoffman; David Hoffman; John Bills; Andy; Marty O'Malley; David Brodsky; JOSE OSORIO; Rahm Emanuel; Jim Fieweger)

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Edition: Chicagoland Final

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NewsRoom

Tab 36

[News / Watchdog](#)

Federal Redflex probe casts speed camera initiative in an unfavorable light

By **David Kidwell**, **Chicago Tribune** reporter

MARCH 16, 2013, 12:48 AM

The first evidence of a federal criminal probe into Chicago's red-light camera program is focusing attention on bribery allegations at [City Hall](#) just as Mayor [Rahm Emanuel](#) is trying to launch his controversial speed camera initiative.

Both the company and a former city official at the center of the red-light scandal were also involved in efforts to legalize speed cameras, which the mayor plans to use to catch speeders near schools and parks around the city.

When Emanuel was first pushing his plan in 2011, the now-beleaguered Redflex Traffic Systems Inc. was positioned as a leading contender after 10 successful years as the city's red-light vendor. But Emanuel scuttled those hopes after Tribune reports last year questioned ties between the company and the former city official who oversaw its contract.

Now federal authorities are probing the personal finances of John Bills, the former managing deputy commissioner of transportation, following an internal Redflex investigation that found evidence that its largest North American program was likely built on a \$2 million bribery scheme involving Bills and a longtime friend hired as the company's Chicago consultant.

Both Bills and his friend, Marty O'Malley, have denied any wrongdoing.

A subpoena signed by an assistant U.S. attorney was delivered recently to Bills' ex-wife, his attorney Nishay Sanan said Friday. Sanan said he sent a letter to federal prosecutors asking that all further requests for records come to him.

The U.S. attorney's office declined to comment.

Emanuel moved quickly to separate his administration from the scandal after the first Tribune report in October, banning Redflex from competing for the speed camera contract and calling for an inquiry by city Inspector General Joseph Ferguson. He later barred the company from renewing its red-light contract when it expires in June. But before the scandal broke, the Tribune disclosed that the interests of Redflex, Bills and a key Emanuel political ally had converged around the mayor's speed camera push.

Emanuel political consultant Greg Goldner, working for the Redflex-funded Traffic Safety Coalition, hired

Bills just after he left his job overseeing the red-light program in September 2011. Goldner said Bills was hired to bolster the group's efforts to legalize speed cameras statewide.

At that time, Emanuel's proposal for speed camera legislation was already quietly under review in Springfield. Assisting that effort was Redflex's Springfield lobbyist Michael Kasper, a Chicago lawyer who had also represented Emanuel in a residency dispute during his campaign for mayor.

Goldner told the newspaper last year that he did not know about the mayor's own push for speed cameras until it became public and only then joined forces with the administration. He said he probably would not have hired Bills had he known there would be new city business for his client to pursue.

Goldner, who managed Emanuel's 2002 election to [Congress](#), directed a political fund that helped elect pro-Emanuel aldermen to the City Council in 2011. Kasper helped set up the fund.

The Emanuel administration has repeatedly denied Tribune requests for public records related to the speed camera push, which the mayor has pitched as a way to cut down on accidents involving schoolchildren. Critics say it is a money grab for a cash-starved city and note that Emanuel is counting on \$30 million in revenue from speed cameras this year.

Now the mayor faces the challenge of finding a new operator for the red-light system while trying to launch his speed camera program.

The allegations are centered on Bills' role overseeing the red-light program from its inception in 2003 under Mayor [Richard Daley](#) until Bills' retirement in 2011. The program generated about \$100 million for Redflex and more than \$300 million for the city.

In October the newspaper disclosed a Redflex whistle-blower letter alleging an inappropriate relationship with Bills. The 2010 letter detailed lavish vacations for Bills and illegal transfer of commissions from Redflex consultant O'Malley, saying "the level of this insider fraud would take down the contract and most likely the company."

Company executives told the Tribune and City Hall last year they discounted the allegations after an internal investigation, but a second company-initiated probe conducted by former federal prosecutor and city Inspector General David Hoffman reached starkly different conclusions.

Hoffman found that the company paid \$2.03 million to its Chicago consultant with some of the money intended for Bills, who allegedly proposed the arrangement. The company also plied Bills with 17 company-paid trips from 2003 through 2010, including airfare, hotels, golf outings, rental cars and meals, according to a summary of Hoffman's findings released March 4 on the Australian Securities Exchange.

"The arrangement between the city program manager, the consultant, and Redflex will likely be considered bribery by the authorities," the filing said. It also said company officials misled the Emanuel administration

and the newspaper about the extent of the problem.

The evolving scandal has left Redflex reeling. The chairman of the Australian company and the top executives of its Phoenix-based subsidiary have all left, and company stock is trading at less than a dollar a share.

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This article is related to: [Elections, Politics and Government, Crime, Law and Justice, Justice System, Local Government, Newspaper and Magazine, Public Officials](#)

Tab 37

NewsRoom

3/16/13 Chi. Trib. 1
2013 WLNR 6574823

Chicago Tribune
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March 16, 2013

Section: News

Feds probing Redflex deal
U.S. attorney subpoenas financial records of ex-city official who oversaw program

David Kidwell, Tribune reporter

Tribune reporter Todd Lighty contributed.

Federal authorities have launched a criminal probe of bribery allegations in Chicago's red-light camera program, issuing a subpoena for financial records of the former city official at the center of the escalating international scandal.

The subpoena, confirmed Friday by the former official's attorney, was the first indication that the U.S. attorney's office has opened a case since the Tribune raised questions in October about the city's contract with Redflex Traffic Systems, triggering a series of investigations that now threaten to consume the company.

Redflex Holdings Ltd., the Australian parent company, has said an internal investigation uncovered evidence that its decadelong Chicago program was likely built on a \$2 million bribery scheme involving the city manager and a longtime friend who was hired as the company's Chicago consultant. The program is also being investigated by city Inspector General Joseph Ferguson.

The subpoena was signed by an assistant U.S. attorney and delivered to the ex-wife of retired managing deputy transportation commissioner John Bills, his attorney Nishay Sanan said. Bills has denied any wrongdoing. Sanan said he sent a letter to federal prosecutors asking that all further requests for records come to him.

"I don't know why they didn't just subpoena my client directly," Sanan said.

The U.S. attorney's office declined to comment. Bills' ex-wife did not return a telephone message.

In October, the newspaper raised questions about Bills' ties to Redflex consultant Marty O'Malley and disclosed a 2010 company whistle-blower letter alleging an inappropriate relationship between Bills and Redflex that included lavish hotel accommodations. Bills and O'Malley, longtime friends from the same South Side neighborhood, said they had done nothing improper.

Bills oversaw the red-light program from its beginning in 2003 until he retired in 2011. It became Redflex's largest traffic camera program in North America, raising about \$100 million for Redflex and more than \$300 million in ticket revenue for the city.

In response to Tribune inquires, the company told the newspaper and City Hall that the whistle-blower allegations had no merit and that an internal investigation found only one instance of an improper hotel reimbursement for Bills. But the company hired a second law firm to take another look.

That investigation, led by former federal prosecutor and city Inspector General David Hoffman, found that the whistle-blower's allegations did have merit.

Redflex said earlier this month that Hoffman found the company paid \$2.03 million to its Chicago consultant, with some of the money intended for Bills. The company also acknowledged that it plied Bills with 17 company-paid trips from 2003 through 2010, including airfare, hotels, golf outings, rental cars and meals.

"The arrangement between the city program manager, the consultant, and Redflex will likely be considered bribery by the authorities," said a summary of the Hoffman findings publicly released March 4 by the company to the Australian Securities Exchange. The summary said company officials misled City Hall and the Tribune.

Redflex acknowledged last month that it is sharing Hoffman's work with law enforcement. The chairman of the Australian company and the top executives of its Phoenix-based subsidiary have all left amid the unfolding controversy, and Redflex stock has plummeted.

Emanuel's administration referred the matter to the inspector general and barred Redflex from bidding on the city's speed camera program after the Tribune's initial report. Last month -- after the company acknowledged its problems were more widespread and that it was sharing information with law enforcement -- the mayor banned Redflex from renewing its contract to run more than 380 red-light cameras when it expires in June.

dkidwell@tribune.com

---- Index References ----

Company: REDFLEX TRAFFIC SYSTEMS INC

News Subject: (Civil Rights Law (1CI34); Corruption, Bribery & Embezzlement (1EM51); Crime (1CR87); Criminal Law (1CR79); Fraud (1FR30); Government Litigation (1GO18); Legal (1LE33); Social Issues (1SO05))

Region: (Americas (1AM92); Australasia (1AU56); Australia (1AU55); Illinois (1IL01); North America (1NO39); Oceania (1OC40); U.S. Midwest Region (1MI19); USA (1US73))

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NewsRoom

Tab 38

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Redflex Scandal Grows, Federal Investigation Has Begun

March 16, 2013 [Red Light Cameras](#)



Circumstances and the Chicago Tribune continue to pound Redflex Traffic Systems, the current vendor of the city's red light camera contract.

Since [broken by the Tribune in October](#), the story continues to grow and now it looks like federal investigators have begun looking into the scandal.

The newspaper [has been reporting about what looks like a bribery scheme](#) between Redflex employees and the former head of Chicago's red light camera program, John Bills—a revelation which came out of an internal investigation conducted by an outside law firm.

The revelations [have cost Redflex its contract in Chicago](#), it's once largest client, accounting for nearly 14% of it's revenue or about \$10 million a year.

But it's been getting even worse and worse for the company.

A Tribune story last week [reports Redflex is conducting an internal investigation of contracts with two other municipalities](#) which have suspicious qualities to them. The names of the towns nor whether the investigations have turned up anything has not been revealed.

More recently, the [Trib reports major problems with the original investigation Redflex conducted](#) on the ethical breaches involving Bills. The law firm which spearheaded the investigation either failed to do their job correctly or ignored pertinent details which would have exposed these ethical lapses much earlier.

On Saturday, the newspaper is [reporting the U.S. Attorney's office has launched its own investigation](#).

The attorney for Bills ex-wife confirms she was served with a subpoena asking for financial records.

An investigation by the Chicago Inspector General is reportedly still ongoing.

In addition, two sets of City Council members have asked for hearings into the city's red light camera program and the Redflex contract.

[Aldermen Scott Waguespack \(32nd\), John Arena \(45th\), Bob Fiortetti \(2nd\) and others requested hearings last month](#), while Finance Committee Chairman Ed Burke (14th) [asked for hearings at this past week's city council meeting](#).

All the while Redflex struggles to survive the scandal, it's stock plummeting and now trading under \$1 a share on the Australian Stock Exchange.

Chicago has 384 red light cameras at 190 intersections around the city. The [program has generated \\$375 million in revenue](#) between its inception in 2003 through 2012.

share share share share

[Chicago red light cameras](#), [Chicago speed cameras](#), [Redflex](#), [Redflex Traffic Systems](#)

Tab 39

NewsRoom

3/17/13 Chi. Trib. 4
2013 WLNR 6630533

Chicago Tribune
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March 17, 2013

Section: News

Focus shifts to speed camera plan
Redflex inquiry casts unfavorable shadow on mayor's new initiative

David Kidwell, Tribune reporter

The first evidence of a federal criminal probe into Chicago's red-light camera program is focusing attention on bribery allegations at City Hall just as Mayor Rahm Emanuel is trying to launch his controversial speed camera initiative.

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The U.S. attorney's office declined to comment.

Emanuel moved quickly to separate his administration from the scandal after the first Tribune report in October, banning Redflex from competing for the speed camera contract and calling for an inquiry by city Inspector General Joseph Ferguson. He later barred the company from renewing its red-light contract when it expires in June. But before the scandal broke, the Tribune disclosed that the interests of Redflex, Bills and a key Emanuel political ally had converged around the mayor's speed camera push.

Emanuel political consultant Greg Goldner, working for the Redflex-funded Traffic Safety Coalition, hired Bills just after he left his job overseeing the red-light program in September 2011. Goldner said Bills was hired to bolster the group's efforts to legalize speed cameras statewide.

At that time, Emanuel's proposal for speed camera legislation was already quietly under review in Springfield. Assisting that effort was Redflex's Springfield lobbyist Michael Kasper, a Chicago lawyer who had also represented Emanuel in a residency dispute during his campaign for mayor.

Goldner told the newspaper last year that he did not know about the mayor's own push for speed cameras until it became public and only then joined forces with the administration. He said he probably would not have hired Bills had he known there would be new city business for his client to pursue.

Goldner, who managed Emanuel's 2002 election to Congress, directed a political fund that helped elect pro-Emanuel aldermen to the City Council in 2011. Kasper helped set up the fund.

The Emanuel administration has repeatedly denied Tribune requests for public records related to the speed camera push, which the mayor has pitched as a way to cut down on accidents involving schoolchildren. Critics say it is a money grab for a cash-starved city and note that Emanuel is counting on \$30 million in revenue from speed cameras this year.

Now the mayor faces the challenge of finding a new operator for the red-light system while trying to launch his speed camera program.

The allegations are centered on Bills' role overseeing the red-light program from its inception in 2003 under Mayor Richard Daley until Bills' retirement in 2011. The program generated about \$100 million for Redflex and more than \$300 million for the city.

In October the newspaper disclosed a Redflex whistle-blower letter alleging an inappropriate relationship with Bills. The 2010 letter detailed lavish vacations for Bills and illegal transfer of commissions from Redflex consultant O'Malley, saying "the level of this insider fraud would take down the contract and most likely the company."

Company executives told the Tribune and City Hall last year they discounted the allegations after an internal investigation, but a second company-initiated probe conducted by former federal prosecutor and city Inspector General David Hoffman reached starkly different conclusions.

Hoffman found that the company paid \$2.03 million to its Chicago consultant with some of the money intended for Bills, who allegedly proposed the arrangement. The company also plied Bills with 17 company-paid trips from 2003 through 2010, including airfare, hotels, golf outings, rental cars and meals, according to a summary of Hoffman's findings released March 4 on the Australian Securities Exchange.

"The arrangement between the city program manager, the consultant, and Redflex will likely be considered bribery by the authorities," the filing said. It also said company officials misled the Emanuel administration and the newspaper about the extent of the problem.

The evolving scandal has left Redflex reeling. The company stock is trading at less than a dollar a share.

dkidwell@tribune.com

---- Index References ----

News Subject: (Corruption, Bribery & Embezzlement (1EM51); Crime (1CR87); Criminal Law (1CR79); Fraud (1FR30); Government (1GO80); Government Litigation (1GO18); Legal (1LE33); Local Government (1LO75); Social Issues (1SO05))

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NewsRoom

Tab 40



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Investigation of Camera Provider May Delay Plan for Cameras on Bus Signal Arms

By MERISSA GREEN

THE LEDGER

Published: Tuesday, March 19, 2013 at 11:39 p.m.

BARTOW | A plan to install cameras on three school bus stop signal arms may be on hold after Polk County School District officials learned that the company that would provide the technology is being investigated.

The Chicago Tribune reported that Redflex Traffic Systems Inc. is embroiled in an alleged bribery scheme. Redflex Traffic Systems Inc. paid more than \$2 million to the consultant on its Chicago contract with some of the money intended for a city official, the Chicago Tribune reported. The parent company of Redflex also announced new leadership as a result of the investigation, the Chicago Tribune reported.

District officials learned about the matter Tuesday when a reporter from The Ledger asked about it following a reader linking a Ledger post on Facebook to the Chicago Tribune story.

"The District was unaware of any issues with the corporation RedFlex as the article states in the Chicago Tribune," said Rob Davis, senior director of support services. "I think it is important to remember this is a pilot at no cost to the district and no obligation once the pilot is complete."

Davis said he will investigate the matter further with School Board Attorney Wes Bridges and Interim Superintendent of Schools John Stewart.

The plan to put test cameras on stop signal arms on three buses was to begin next month, with the cameras providing evidence against motorists violating traffic laws related to school buses.

David Milhorn, director of vehicle and safety services, has previously said the School District has 511 buses that transport 49,000 students daily. He said the reports from bus drivers about violators are unsettling.

If district officials can get support from the state Legislature and law enforcement, the district will move forward with the bus stop camera program, perhaps with another company, Milhorn said. The cost to cover the program will be generated from traffic citations, he said.

Legislation proposed by Sen. Oscar Braynon II, D-Miami Gardens, would authorize school boards throughout the state to use the cameras. The intent of Senate Bill 0950 and House Bill 0699 is to provide evidence of a violation when a driver fails to stop behind the bus while the bus stop signal is displayed. If the legislation is approved, violators caught on camera will receive an automatic citation.

Currently under Florida law, a \$200 fine is assessed for passing a school bus on the side the children enter and exit while the school bus displays a stop signal.

Failure to stop for a school bus carries a \$100 fine. Subsequent offenses can result in a suspended license.

In 2012, when Polk County School District participated in a statewide stop arm violation survey, 398 Polk County bus drivers reported 290 violations in one day. Locally, 12 motorists have been cited in the past three years, according to the Polk County Clerk of Courts.

[Merissa Green can be reached at merissa.green@theledger.com or 863-802-7547.]

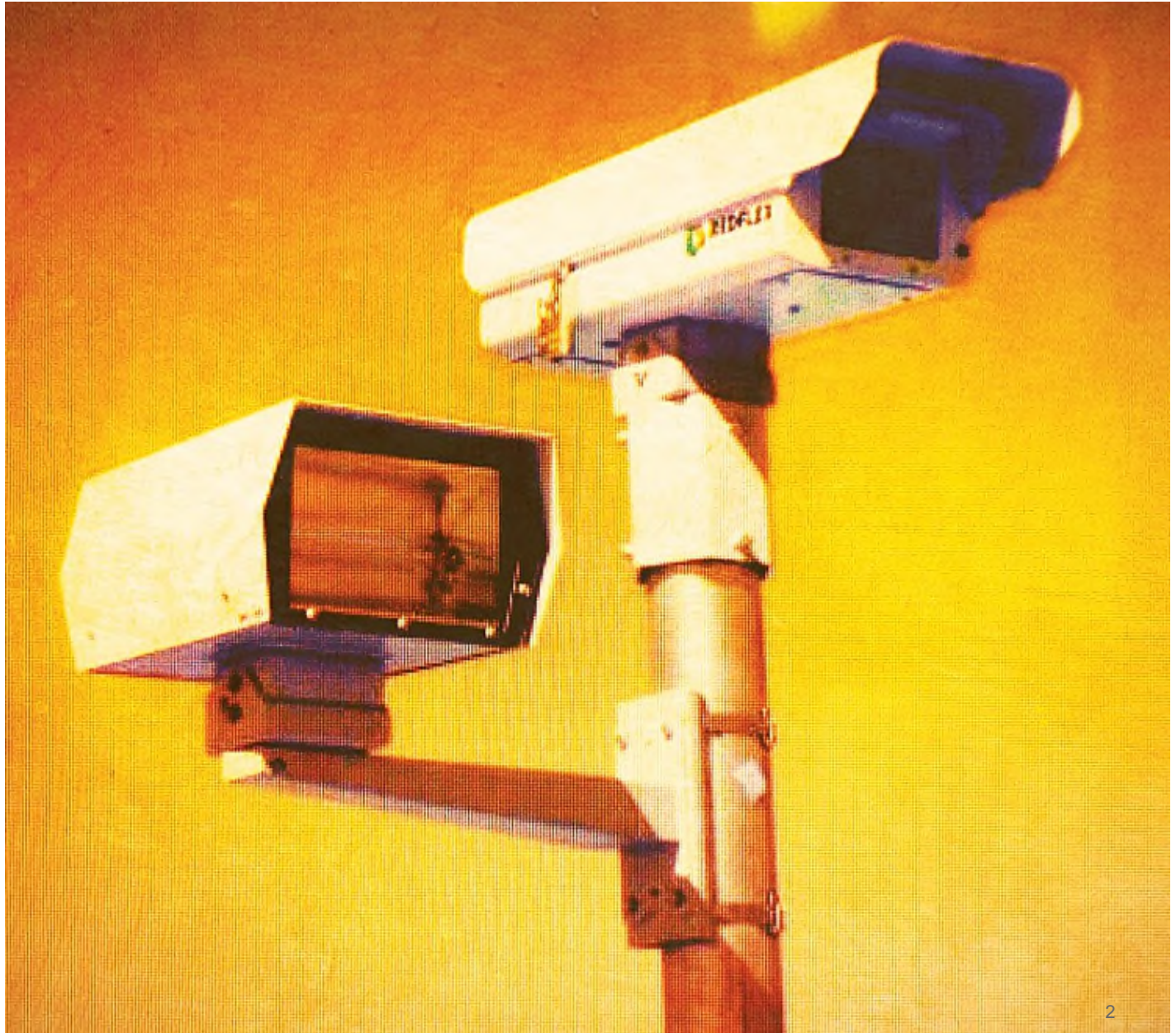
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Tab 41

Redflex Execs in Phoenix Resign Over Corruption Investigation

BY MONICA ALONZO

THURSDAY, MARCH 21, 2013 AT 4 A.M.



2

Redflex Traffic Solutions is embroiled in a bribery scandal in Chicago that has prompted termination of the firm's executive vice president and resignations of three other top executives.

Redflex Holdings, the Australian parent company of the Phoenix-based photo-enforcement company, says an internal corruption investigation also has found "potential issues" involving contracts in two other U.S. cities, but it didn't provide further details.

Redflex supplies and manages controversial red-light and speed-photo-enforcement systems used by communities around the world, including Phoenix, Chandler, and El Mirage.

Phoenix city officials tell New Times they are aware of bribery scandal in Chicago and are taking a closer look at the city's contract with Redflex.

Redflex will lose what the Chicago Tribune calls its "lucrative" red-light-camera contract with Chicago when it expires in June, and it is banned from vying for that city's upcoming photo-radar contract designed to nab speeding motorists.

"The Chicago program, with more than 380 cameras, has been the company's largest in North America and is worth about 13 percent of worldwide revenue for Redflex Holdings," the Tribune reported. "Since 2003, it has generated about \$100 million for Redflex and more than \$300 million in ticket revenue for the city."

On February 20, the company fired Aaron Rosenberg, its California-based executive vice president of business development.

President and CEO Karen Finley and chief financial officer Sean Nolen resigned on February 25. A few days later, Andreis Bunkse resigned as the firm's top attorney.

All three worked in the company's Phoenix headquarters.

In a report to the Australian Securities Exchange, Redflex described the scheme involved in the scandal as an "arrangement" between John Bills, a Chicago employee managing the city's red-light-camera program, and a Redflex consultant who "likely intended" to funnel payments from the consultant to the manager.

The Tribune identified the Redflex consultant as Marty O'Malley, a friend of the Chicago manager overseeing the traffic program.

Redflex officials said they paid O'Malley \$2.03 million between 2003 and 2011 – \$1.57 million of the payments were made between 2007 and 2011. The company stated that, lacking subpoena power to access financial documents, it couldn't determine whether the consultant made payments to Bills.

However, company records show that Rosenberg and the Redflex consultant showered Bills with gifts and covered hotel, flight, rental car, golf, and meal expenses for at least 17 trips from 2003 to 2010.

Rosenberg and O'Malley paid for the Chicago official's junkets, submitted expense reports with incomplete documentation, and then were reimbursed by Redflex.

According to the Redflex report, Finley "knew about and approved some of these trips and expenses," and she also approved their reimbursement requests, in violation of city policies.

The March 4 report also states that Finley and Rosenberg "had knowledge that would have made any reasonable person highly suspicious that this was a bribery scheme" but allowed the "arrangement to occur."

Redflex reports also show that executives failed to adequately investigate allegations of corruption first made in September 2010 by a whistle-blower. That investigation, according to the Tribune, was overseen by Bunkse, the company's general counsel. The Redflex reports show that Nolen, the chief financial officer, assisted in the 2010 investigation but limited his review of documents to one year, looked only at money that Rosenberg paid Bills, and did not attempt to interview the company's consultant.

When the Tribune obtained the whistle-blower's letter and started asking questions in 2012, company officials misled the public by claiming they conducted an "exhaustive" and "thorough" investigation and found the allegations of corruption were without merit, according to the Redflex report.

A law firm hired by Redflex Holdings in Australia finally exposed the corruption.

In Chicago, law enforcement officials are investigating the bribery allegations.

Robert T. DeVincenzi, Redflex Holdings' and (following the scandal) also Redflex Traffic Solutions' newly appointed president and CEO, says the company is making changes to "support the highest ethical standards."

In a statement, he tells New Times that Redflex is working to "recapture the trust of our clients, the public, and our own employees."

The scandal is a major blow to Redflex, whose cameras have been unpopular with motorists in Arizona and across the country. Stock in the company was trading at about 80 cents on March 18, down from more than \$2 in October.

Critics say the cameras are more about making money for Redflex and government entities than safety, and the case in Chicago has raised suspicion about Redflex programs across the globe.

Former Arizona Governor Janet Napolitano wasn't shy about touting that revenue from the cameras could offset state budget deficits when she approved a contract in 2008 for Redflex to pepper Valley freeways with cameras. At the time, she estimated that Arizona would make about \$90 million a year from its photo-enforcement program.

Public disdain for the cameras prompted Governor Jan Brewer, Napolitano's successor, to let the state's contract expire two years later, but Redflex cameras still snap photos of errant drivers in 11 municipalities across the state.

Still, Arizona lawmakers aren't willing to ban the cameras altogether (a bill to do that went nowhere in February). But attempts to curtail their use by municipalities are ongoing.

Cameras have been vandalized, attacked with an ax, and in 2009, a Redflex worker was shot and killed while working in a fully marked Department of Public Safety photo-radar van near Loop 101 and Seventh Street.

Phoenix, Chandler, El Mirage, Eloy, Paradise Valley, Prescott Valley, Show Low, Sierra Vista, Star Valley, Superior, and Surprise all have Redflex contracts.

And some of the jurisdictions have been granted permission by the Arizona Department of Transportation to install cameras on state highways.

Proponents say the cameras improve public safety by deterring speeders and red-light runners. But municipal officials don't have to prove there is a need for a camera program.

Republican state Representative Debbie Lesko, whose district includes El Mirage, floated House Bill 2477, which "forbids a city or town from placing a photo-enforcement system on a state highway" unless it can prove the system is necessary for public safety.

State representatives approved the measure 47-12, and it is now making its way through the Arizona Senate.

Lesko tells New Times that she first examined the issue after receiving complaints from El Mirage residents about Redflex cameras installed along U.S. 60 (Grand Avenue) at Primrose Avenue, a three-way intersection that dead ends into a state highway stretching northwest toward Wickenburg and Las Vegas.

El Mirage was supposed to justify the need for the cameras, according to an agreement with the state. ADOT granted the permit even though it didn't obtain reports or traffic studies from El Mirage.

City officials' e-mails obtained by New Times reveal that between July 1, 2008 and June 30, 2011, 39 traffic collisions occurred at the Grand/Primrose intersection before Redflex installed the cameras. Of those, 30 were non-injury accidents. Five other accidents caused "non-incapacitating" injuries. And three others caused "possible injury." One was listed as "blank."

Considering that city officials estimate between 35,000 and 44,000 vehicles travel daily through the intersection, that's at least 12.7 million cars a year driving through El Mirage.

This means the chances of getting into a car accident at that intersection are infinitesimal.

Ironically, despite the public disdain for the photo-enforcement cameras, the state is home to both major players in the industry – Redflex and Tempe-based American Traffic Solutions, which services Scottsdale, Mesa, Tucson, and Pima County.

Tab 42

NewsRoom

3/25/13 Chi. Trib. 1
2013 WLNR 7323846

Chicago Tribune
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March 25, 2013

Section: News

Redflex's city dealings raised flags years ago
Daley officials were warned in '07 that red-light camera firm got preferential treatment, files show

David Kidwell, Tribune reporter

Top officials in Mayor Richard M. Daley's administration were warned six years ago about preferential treatment in Chicago's red-light camera contract, a deal now embroiled in a federal corruption investigation of an alleged \$2 million bribery scheme at City Hall.

Executives of a competing camera company and a powerful alderman whose help they enlisted complained the city was unfairly favoring Redflex Traffic Systems Inc., according to internal city records obtained by the Tribune and publicly disclosed for the first time.

Those 2007 records reveal there were concerns about the role of former city transportation official John Bills in overseeing the contract long before he emerged as the central figure in a scandal touched off by the newspaper's reporting last year.

The rare glimpse into power politics at City Hall raises new questions about where the evolving scandal might lead and whether one bureaucrat -- a lifelong political foot soldier -- had the juice to single-handedly steer a \$100 million contract.

"I wouldn't think so," said Doug Yerkes, a top Daley purchasing official at the time. "Because a contract of that size has to clear so many different levels, and John was kind of a midlevel manager."

Following Tribune reports last year about the close relationship between Redflex and Bills, a company-sponsored internal investigation found that Redflex plied him with 17 vacation trips including airfare, hotels, rental cars, meals and golf outings. The company also acknowledged paying a longtime Bills friend, Marty O'Malley, \$2.03 million as a Chicago consultant. Some of the money was likely intended for Bills, according to the findings, which said the arrangement will "likely be considered bribery by the authorities," according to the company's report.

Both Bills and O'Malley have denied any wrongdoing.

The Redflex investigation found that most of the money, \$1.57 million, was paid starting in 2007, the year the red-light program blossomed. The scandal has cost Redflex its Chicago contract, its largest in North America and the one that made it a heavyweight in the U.S. robotic camera market.

When Redflex was establishing its foothold in Chicago, executives at one of its fiercest U.S. competitors -- American Traffic Solutions Inc. -- began complaining to City Hall about Redflex's unfair advantage, its ability to avoid bidding laws and minority hiring rules, and its cozy relationship to Bills, who was then the city official in charge of the red-light camera project.

The complaints were largely dismissed by the administration.

"It wasn't unusual that we would spend a substantial amount of time getting a lot of belly aching from losing bidders who were grouching about how unfairly they were treated," said Yerkes, who as Daley's acting chief procurement officer was involved in selecting Redflex. "It happened all the time, but I remember the red flags were going up all over the place on that one."

At the time, the Daley administration was moving to convert what had begun in 2003 as a \$1.9 million pilot project into a full-blown, permanent red-light camera program. American Traffic Solutions -- along with its assembled team of Chicago subcontractors -- was hoping to get a piece of that business.

So the company executives sought help from 14th Ward Ald. Ed Burke, according to the records.

The dean of the City Council and chairman of its powerful Finance Committee, Burke is a decadeslong friend and political ally of one of American Traffic Solutions' subcontractors at that time, Tom Donovan. Donovan -- chairman of the advisory board for Quantum Crossings LLC -- was long ago a top aide and patronage chief for former mayors Richard J. Daley and Michael Bilandic. After that, he was a longtime chairman of the Chicago Board of Trade.

Donovan did not return calls for this report. Quantum Crossings representatives attended a pre-bid conference for vendors interested in replacing Redflex in March.

In one email to Burke's offices obtained by the Tribune, the president and CEO of American Traffic Solutions memorialized a Sept. 27, 2006, meeting he had with Bills to discuss what was then the city's nonexclusive contract with Redflex and the possibility that two vendors might be better than one.

"Mr. Bills opened with a disclosure that the contract between Redflex and the city had been converted/amended to be an exclusive contract," James Tuton said in the email to Burke's staff. "I asked when that occurred and he replied that the new, exclusive agreement had been executed a few weeks earlier. We were surprised."

Tuton, whose company is now negotiating with Mayor Rahm Emanuel's administration to operate the city's new speed camera program, declined to be interviewed for this report.

In a series of letters to top mayoral aides, Burke accused the administration of illegal procurement practices, "unfathomable" failures to meet minority hiring requirements, and labeled the relationship with Redflex Traffic Systems Inc. "suspect since its inception."

"That the Redflex contract negotiations fail on all of these accounts is unacceptable," Burke wrote in a seven-page letter to Daley's top lawyer and chief procurement officer Feb. 23, 2007. He demanded "that efforts to purchase additional systems be abandoned until an open and competitive procurement process is undertaken."

What followed was a yearlong war of words between Burke and Daley's top aides, where Corporation Counsel Mara Georges at first defended awarding the contract to Redflex without bidding it. Burke asked more questions and threatened to drag the Daley administration into the spotlight of public hearings before his committee.

"The concerns are of such gravity that they do not fall short of meriting a more formal, public inquiry when other measures fail to elicit a substantive response," Burke wrote to Georges on April 19, 2007.

By July 2007, the Daley administration reversed course and decided to open the contract to a competitive bid. Burke never held a hearing.

"Cooler heads prevailed," said Yerkes, the only former Daley official to return calls. Yerkes said that while he remembers Burke raising concerns he does not recall the complaints about Bills.

Bills, who retired from the city in 2011 and went to work as a Redflex-funded consultant, rose through the Daley administration to become the managing deputy commissioner of transportation after a 30-year career in city government. During that time, he was also a top precinct captain in the political organization of House Speaker Michael Madigan, D-Chicago.

Through his lawyer, Bills declined to comment for this story.

In 2003, when Redflex was first chosen for the red-light camera pilot project, Bills was a voting member for the city selection committee. In 2007, Bills was selected as a nonvoting member of the evaluation committee but played a key role in reviewing the four bidders.

In November 2007, the five voting members of the selection committee voted unanimously for Redflex, which scored 1,030 points to American Traffic Solutions' 714. None of the committee members returned Tribune calls Friday.

"We have been told that the evaluation team score sheets show that Redflex was given a perfect score," an ATS executive wrote in an email to Burke on Dec. 4, 2007. "It means that Redflex received flawless, perfect scores from every committee member in every category. We have never seen a perfect score from any selection committee anywhere."

The ATS executive suggested it was a "conflict of interest" for Bills to be checking the references of ATS at the same time he was listed by Redflex as their government reference in bids for new business around the country.

Burke forwarded ATS' complaints to Daley's Chief Financial Officer Paul Volpe, who is now the village manager in Elmwood Park.

"If the assertions contained in the attached memorandum are true, they are quite disconcerting," Burke wrote. "This series of questions is simply the latest of many that have riddled the contracting process with Redflex and made it suspect since its inception."

The contract stood and Burke never held hearings. He declined to comment for this report.

But last month, Burke issued a new call for City Council hearings into the Redflex contract, saying "somebody ought to be looking at whether the company is responsible for what happened."

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Photo: Ald. Ed Burke threatened in 2007 to call hearings about Redflex's contract. CHRIS SWEDA/TRIBUNE PHOTO

Graphic: 'Suspect since its inception'

Ald. Ed Burke was extremely critical of the Redflex contract negotiations in a series of letters to top Daley administration aides in 2007.

Ald. Ed Burke's letter to Mara Georges, Daley's corporation council
April 19, 2007

Ald. Ed Burke's letter to Paul Volpes, Daley's chief financial officer
Dec. 4, 2007
TRIBUNE
- See the microfilm for a complete version of this graphic.

---- Index References ----

Company: REDFLEX TRAFFIC SYSTEMS INC; TRIBUNE CO

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NewsRoom

Tab 43

The B-Town (Burien) Blog

March 26, 2013 • 1 comment

Former Burien Red Light Camera Firm Redflex Faces 'Bribery' Issues



by **Jack Mayne**

Redflex Traffic Solutions, the company that once provided red light photo enforcement cameras in Burien, and currently does in SeaTac, says an internal corruption investigation has found “potential issues” involving contracts in Chicago and two other U.S. cities, but it didn’t provide further details.

Redflex Holdings is the Australian parent company of the Phoenix-based photo-enforcement company, says Redflex Traffic Solutions has been embroiled in a bribery scandal in Chicago, which has prompted termination of the firm’s executive vice president and resignations of three other top executives. The problems were reported in the Phoenix New Times, a weekly newspaper in the Arizona city .

SeaTac is in the middle of the second two-year renewal of its contract with Redflex, and it expires in March of 2014. The original three-year contract began in 2006, said Police Chief **James Graddon**.

“Redflex did inform us recently of this issue,” Graddon said. “We appreciated their candor and we are monitoring the situation to see if any action would be warranted.”

Burien dropped its contract with Redflex over a year ago.

The Phoenix New Times reported on Thursday that Redflex will lose what the Chicago Tribune calls its “lucrative” red-light-camera contract with Chicago when it expires in June “and it is banned from vying for that city’s upcoming photo-radar contract designed to nab speeding motorists.”

The Chicago contract is its biggest in North America and is worth about 13 percent of the “worldwide revenue for Redflex Holdings,” the Chicago Tribune reported.

“Since 2003, it has generated about \$100 million for Redflex and more than \$300 million in ticket revenue for the city,” the Chicago paper reported.

The New Times said the company fired Aaron Rosenberg, its California-based executive vice president of business development on Feb. 20.

“President and CEO Karen Finley and chief financial officer Sean Nolen resigned on Feb. 25. A few days later, Andreis Bunkse resigned as the firm’s top attorney. All three worked in the company’s Phoenix headquarters,” the Phoenix New Times said.

In a report to the Australian Securities Exchange, Redflex described the scheme involved in the scandal as an “arrangement” between John Bills, a Chicago employee managing the city’s red-light-camera program, and a Redflex consultant who “likely intended” to funnel payments from the consultant to the manager.

Redflex’s contract with the City of Burien was severed in February of 2012 (read our previous coverage [here](#)). From May 1, 2009, through 2011, Burien collected \$592,440 in revenue from fines paid by red light scofflaws at the three city intersections where cameras were installed. But Redflex’s costs were \$611,413, for a net deficit to the city of - \$18,973.

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Tab 44

Home → Collections → **Orange County**

Orange taps current red-light camera firm for expansion

Leaders reject bid by firm facing bribery scandal

April 9, 2013 | By David Damron, Orlando Sentinel

Rejecting a company facing scandal, Orange County leaders voted 7-0 Tuesday to pick its current red-light-camera provider to expand significantly from 10 cameras with as many as 80 more before the end of next year.

Commissioners selected American Traffic Solutions and turned down a lower bid from Redflex Traffic Systems. The rejection primarily was because of Redflex's involvement in an alleged bribery scandal unfolding in Chicago and related to a similar contract.

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"I don't think it's appropriate for us to congratulate a company that has this type of core value failure," said Commissioner Fred Brummer, in arguing against a rejected compromise that would have let Redflex and ATS split the contract. "The appearance to me is dreadful. And appearances matter."

The sole selection of American Traffic Solutions, or ATS, came with a catch, though. Commissioners said ATS must meet Reflex's \$15.7 million bid, which was \$880,000 less than the ATS proposal. A company spokesman later said ATS could work to meet the lower price.

The intersections already equipped with cameras include John Young Parkway and Central Florida Parkway, along with Dean Road and University Boulevard.

In its next expansion, the county plans to target other crash-prone intersections that are found in different parts of the county.

In the next few months, the vendor will evaluate whether red-light runners are causing the crashes at about 40 intersections and decide if one or more cameras should be installed, an official said.

Because of persistent legislative opposition in recent years, Orange has moved slowly to move beyond its initial 10 devices installed in early 2011.

Critics say the devices invade drivers' privacy and are used as revenue generators by local governments. Boosters say they curb crashes by discouraging drivers from barreling through intersections.

But like dozens of other Florida counties and cities, including Orlando, Orange County has opted to install the devices and issue \$158 fines to offenders caught on video.

Tuesday's vote capped one of the most closely watched and uglier bidding fights that Orange County has seen in recent years.

The day before the vote, an attorney for Redflex told a commissioner that ATS "got greedy" by submitting a higher-priced bid. And while ATS officials had stayed largely silent about its rival's Chicago scandal, on the eve of the vote they raised the issue often and questioned Redflex's overall stability.

To pick the vendor for this expansion, Orange used several technical, pricing and other measures to rate the bidders. And after two scoring rounds and a protest hearing, Redflex won the highest marks.

But in the background, the company's Chicago red-light contract was coming under growing scrutiny.

A series of Chicago Tribune reports and an internal investigation paid for by Redflex indicated the company might have built its business in Chicago partly through a \$2 million bribery scheme involving a former city official who oversaw the program.

Chicago barred Redflex from bidding on its traffic-camera system, and the allegations led to the departure of top executives at the Phoenix-based company.

Redflex sent CEO Robert DeVincenzi to Orlando to address the issues. He assured commissioners that the problems were being met with a "broad, strong and extraordinarily aggressive" internal response.

The company's unusually blunt self-assessment and a continuing probe into two other "geographies" over similar concerns, which he said are not in Florida, ultimately prompted commissioners to balk at Redflex's bid. "There is that cloud hanging over them," Commissioner Ted Edwards said.

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Tab 45

NewsRoom

4/12/13 Chi. Trib. 1
2013 WLNR 8940881

Chicago Tribune
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April 12, 2013

Section: News

Redflex losing bids as reputation sinks
Local governments wary of firm after criminal allegations

David Kidwell, Tribune report

Seeking to reverse their fortunes amid a debilitating Chicago corruption scandal, top executives of Redflex Traffic Systems flew to Florida for a personal pitch to local officials having second thoughts about giving the company a major contract for a red-light camera system.

It wasn't enough.

The board of commissioners in Orange County, Fla., voted unanimously this week to abandon negotiations with Redflex, the highest-scoring bidder on the county's plan to install as many as 80 traffic cameras in suburban Orlando. Citing an ongoing federal criminal investigation into allegations of a \$2 million bribery scheme in Chicago and the company's potentially shaky future, commissioners opted instead to go with their second choice.

"I just don't think it's appropriate for us to congratulate a company that has this type of core value failure," Orange County Commissioner Fred Brummer said before Tuesday's 7-0 vote against Redflex. "The appearance, to me, is just dreadful, and appearances matter."

Redflex officials had hoped the Florida contract would become their biggest in North America, replacing the Chicago program lost to a burgeoning investigation triggered by Tribune disclosures in October about the company's cozy relationship with a former city manager.

Instead it was the latest vote of no confidence for Australia-based Redflex Holdings Ltd. and its U.S. subsidiary in Phoenix, which are facing scrutiny from local governments across the country in response to the Chicago revelations. In recent weeks, several governments from California to Louisiana have raised concerns about their relationships with Redflex.

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Redflex CEO Robert DeVincenzi personally lobbied for the Orange County contract, including face-to-face pitches the day before the vote. Afterward he released a statement saying Redflex "was honored to be considered for the opportunity to serve the citizens of Orange County" and repeating his contention that the company has moved past the scandal by replacing its leadership and installing new standards.

"We want our corrective action steps and our transparency to lead the industry in setting high ethical standards for how public-private partnerships are conducted," he said.

In the short term, the scandal has cost Redflex tens of millions of dollars, and more losses are expected. In a filing Thursday with the Australian Securities Exchange, Redflex said the company has spent \$3.5 million on its internal investigation so far and expects "additional modest costs going forward" as it cooperates with authorities.

The loss of the Chicago contract will cost the company \$17 million "on a full year basis," the company said, and there is "potential for revenue loss from other municipal contract terminations that may arise as a result of the disclosures associated with the investigative findings."

The backlash against Redflex follows Tribune reports about the relationship between Redflex and John Bills, the former city transportation official who oversaw its contract. A company-sponsored investigation found that the company had plied Bills with 17 vacation trips including airfare, hotel, car rentals, meals and golf outings. The company also acknowledged paying a longtime Bills friend, Marty O'Malley, \$2 million as a Chicago consultant. Some of that money was likely intended for Bills, according to the company's findings, which said the arrangement will "likely be considered bribery by the authorities."

Bills and O'Malley have denied any wrongdoing.

After the company acknowledged it misled the city about the extent of the problem, its Australian stock plummeted, six top Redflex executives, including the board chairman, left the company, and Mayor Rahm Emanuel announced that Redflex will not be allowed to compete when its red light contract is up in June. Emanuel also barred the company from competing for his new speed-camera initiative.

Redflex's new board chairman, Michael McConnell, told stockholders in a global conference call last month that his top priority is to "take the necessary actions that give this company the best possibility to move forward."

McConnell also told stockholders that the company is investigating further wrongdoing "in two other geographies" besides Chicago. One source familiar with the investigations confirmed that one of those places is Jefferson Parish, where local officials signed a 2007 deal with Redflex to install and operate red-light cameras.

In 2010 federal corruption agents in Louisiana subpoenaed Redflex and other clients of lobbyist Bryan Wagner, a former New Orleans city councilman who took a 3.2 percent commission deal from Redflex for his help in swinging parish votes the company's way. Wagner was introduced to Redflex by O'Malley, the consultant now at the center of the Chicago bribery allegations.

The relationship between Wagner and parish officials has led to several convictions, including one against the former parish president. None of the convictions or charges in the incident were related to the Redflex contract.

But amid disclosures about Wagner's lucrative commission deal, parish officials opted to suspend the red-light program and put all remaining proceeds from tickets into escrow. Redflex sued the parish for breaking the contract without cause, a case that has not yet been resolved.

As Redflex struggles to redefine its corporate culture and revitalize its U.S. business, the company is expanding into automated school bus cameras, which record motorists who illegally pass buses that are stopped to load and unload children.

Last May, just months before the scandal in its Chicago red-light program first broke, Redflex agreed to pay up to \$7.4 million for a Rhode Island-based company that founded a program called SmartBus Live. The idea was to install cameras on the side of school buses to monitor cars that pass a bus while the stop arm is deployed. This new offshoot of Redflex is called Redflex Student Guardian.

According to Redflex, the company has been awarded 25 school bus contracts and 18 pilot programs in eight states: Rhode Island, Connecticut, Texas, Oklahoma, Georgia, Maine, Alabama and Washington.

Spearheading the company's grass-roots efforts to expand the bus camera prospects is the same Chicago public relations firm that figures prominently in Redflex's City Hall connections.

Resolute Consulting, headed by Emanuel's political ally and onetime campaign manager Greg Goldner, is the force behind the Redflex-funded not-for-profit Traffic Safety Coalition. The coalition is described in Redflex's annual reports as "a national grass-roots organization focused on promoting the merits of various traffic safety technologies."

Goldner's name first surfaced in connection to Redflex last year after Emanuel's successful push for his plan to install speed cameras that will tag speeders near school zones and parks throughout Chicago.

As part of his efforts to promote Redflex's expansion prospects, Goldner said, he hired Bills to work for the Traffic Safety Coalition soon after his retirement from City Hall in June 2011. Bills left the coalition in mid-2012.

dkidwell@tribune.com

Photo: The backlash follows Tribune reports about the relationship between Redflex and John Bills, a former city official.
JOHN J. KIM/TRIBUNE PHOTO

Photo: Amid scandal within its red-light camera program, Redflex is expanding into automated school bus cameras. JOHN WOIKE/TRIBUNE NEWSPAPERS PHOTO

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Company: REDFLEX TRAFFIC SYSTEMS INC

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BREAKING NEWS

RED LIGHT CAMERA COMPANY HIRED BY MONROE CITY COUNCIL AT CENTER OF BRIBERY PROBE

April 18, 2013

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(MONROE, WA) -- Redflex Traffic Systems Inc., an Arizona based firm that was hired by the city of Monroe to install and run its short lived and controversial red light camera traffic ticket operation is at the heart of a bribery investigation in Chicago.

According to the Chicago Tribune, RedFlex paid for more than a dozen vacations for a former Chicago transportation employee, and many cities are now choosing other vendors because of the ongoing federal investigation into allegations of a \$2 million bribery scheme.

And on April 11 the newspaper reported that, "Seeking to reverse their fortunes amid a debilitating Chicago corruption scandal, top executives of Redflex Traffic Systems flew to Florida for a personal pitch to local officials having second thoughts about giving the company a major contract for a red-light camera system.

It wasn't enough.

The board of commissioners in Orange County, Fla., voted unanimously this week to abandon negotiations with Redflex, the highest-scoring bidder on the county's plan to install as many as 80 traffic cameras in suburban Orlando.

Citing an ongoing federal criminal investigation into allegations of a \$2 million bribery scheme in Chicago and the company's potentially shaky future, commissioners opted instead to go with their second choice."

The Tribune report quoted Orange County Commissioner Fred Brummer as saying before the 7-0 Tuesday vote against Redflex, "I just don't think it's appropriate for us to congratulate a company that has this type of core value failure...the appearance, to me, is just dreadful, and appearances matter."

Redflex officials had hoped the Florida contract would become their biggest in North America, replacing the Chicago program lost to a "burgeoning investigation triggered by



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Tribune disclosures in October about the company's cozy relationship with a former city manager," according to the Tribune story.

From the Tribune report:

"Instead it was the latest vote of no confidence for Australia-based Redflex Holdings Ltd. and its U.S. subsidiary in Phoenix, which are facing scrutiny from local governments across the country in response to the Chicago revelations. In recent weeks, several governments from California to Louisiana have raised concerns about their relationships with Redflex.

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In Monroe the contract with Redflex expires in the fall. Earlier this month Monroe city council members voted 4-2 in favor of the city sending Redflex a letter to notify the company that the city does not intend to renew the contract for the controversial cameras.

More on that story can be found [here](#)

More on the Chicago scandal involving Redflex can be found [here](#)

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Chicago traffic-camera scandal hurting Phoenix-based Redflex

It is cutting jobs as rival picks up slack



A Redflex traffic camera. Phoenix-based Redflex is a subsidiary of an Australian company.

Marke Henle/The Republic

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By **Ryan Randazzo**

The Republic | azcentral.com

Fri Apr 19, 2013 3:20 PM

A traffic-camera scandal in Chicago is costing 65 or more Redflex Traffic Systems Inc. employees their jobs as the company restructures.

The effect on the Arizona economy could be minimal, however, because the company's main rival, American Traffic Solutions of Tempe, has been winning much of the business Redflex is losing. Both companies offer services including red-light cameras, speed cameras and cameras to enforce school-bus safety.

ATS currently is hiring for about 35 positions.

Phoenix-based Redflex, a subsidiary of an Australian company, said Friday it is laying off about 16 percent of its U.S. workforce of 410. Spokeswoman Jody Ryan said the layoffs will include Phoenix and other locations.

The company has been reeling amid an investigative report by the *Chicago Tribune* last year that found the company had a close relationship with a city transportation official.

Redflex launched its own investigation after the report and found the company had given the employee a variety of gifts, including 17 vacations, calling the actions "likely" bribery in a regulatory filing.

Several executives, including President/CEO Karen Finley, the company's lawyer and chief financial officer, as well as the sales executive involved in the Chicago gifts, have separated from the company.

Redflex is suing the former executive vice president for violations of company policies relating to fraud and embezzlement, according to regulatory filings.

"We've admitted our mistakes, changed how we're doing business and have moved on," new President/CEO Robert DeVincenzi says in a letter to potential customers on the website. "The people who were involved in our Chicago activity are no longer with us and we have developed what we believe to be a best-in-class ethics and compliance program."

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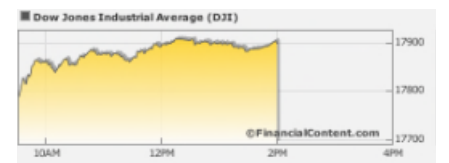
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The shakeout also has cost Redflex contracts in other locations, notably Orange County, Fla., where public officials did not want to award a contract to a company with such turmoil.

Ryan said the layoffs were a difficult decision and part of \$10 million in cost reductions the company is making to deal with the loss of the Chicago contract and other issues related to the troubles there.

"This was a painful decision to make but an important and necessary one to meet our business objectives," Ryan said in a statement. "We remain focused on our customers and their efforts to make their communities safer."

Losing the Chicago contract will cost Redflex about \$17 million a year, according to regulatory filings. Redflex also is investigating issues at other locations, and it said there is "potential for revenue loss from other municipal contract terminations that may arise as a result of the disclosures associated with the investigative findings."

In Arizona, ATS is faring much better. Even though Redflex scored higher in the Florida bidding process, municipal officials there awarded a new contract to ATS. It also has won a speed-camera contract in Chicago and is bidding on the red-light camera contract that Redflex lost, spokesman Charles Territo said.

While both companies deal with a constant flux of new contracts and expired or canceled contracts, Territo said ATS is growing. The company has 750 employees, 500 in Arizona, and expects more than \$200 million in revenue this year.

"We continue to work hard to retain our position as the industry leader in state and local government enforcement and compliance solutions," he said Friday.



However, the Redflex scandal has hurt the reputation of the industry, making sales harder for ATS, even if the company is picking up some of Redflex's losses, he said.

"There is no question that their issues have had an impact on the industry reputation as a whole," Territo said. "However, our company has always focused on our core values, and our understanding that we have a responsibility not only to our employees but to the more than 300 customers we work with across the country. The fact of the matter is that this is a very high-profile industry, and that while it can take a lifetime to develop your reputation, it can be lost in a flash."

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Red Light Camera Firm With Contracts in Washington Under

Investigation for Alleged Corruption In Chicago

BY **NANSEN MALIN** / ON **MAY 6, 2013** / IN **NATIONAL, WASHINGTON**

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Like

With cities more and more feeling the pinch, there is an increasing reliance on “red light cameras” and other automated systems to provide needed revenues for city services. As you might expect, though, with any pot of public funds comes the temptation to purchase influence.

Redflex, an Australian company that contracts to provide traffic cam systems to a number of municipalities across the US, has recently come under **investigation** for bribery in its Chicago operation. The **City of Chicago has moved** to discontinue its contract with **Redflex** and **disqualify** them from bidding on future contracts.

While Redflex has admitted to a single inappropriate expenditure of **\$910 for a hotel** room for a City of Chicago employee, the real outrage stems from over **\$2 million paid** over 4 years to a consultant whose main purpose seemed to be keeping the Chicago official in charge of the traffic cam project well entertained.

Of course, I’m shocked, shocked to hear reports of corruption in the City of Chicago. They just got turfed out of a **Florida** jurisdiction because of the corruption. But Redflex currently has contracts with a number of Washington and **Oregon cities**, it may be a good time to

review Redflex's operations to make sure nothing illegal is going on here.

[featured image: Creative Commons usage, [gsbrown99](#)]

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Tenino Mayor Resigns After 16 Months, But Snohomish County Exec Reardon Still Wears the Scandal Avoidance Crown

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May 8, 2013

Section: News

Replacing vendor no easy task
Deadline for new deal indefinite as questions pile up on takeover of complex camera system

David Kidwell, Tribune reporter

Chicago's divorce with Redflex Traffic Systems is getting messy.

In his hurry to sever ties with the red-light camera operator amid a burgeoning bribery scandal, Mayor Rahm Emanuel in February set a six-month deadline for Redflex to leave town after a decadelong relationship that produced more than \$300 million for City Hall and \$100 million for the company.

But now Emanuel's office is backing away from the eviction date, extending the deadline indefinitely as officials work to untangle a complex series of thorny questions from eager suitors about how best to take over a 384-camera network that grew to become Redflex's largest North American program.

So while federal and local investigators examine allegations Redflex won its Chicago contract in a \$2 million bribery scheme, the Emanuel administration is working with the company to try to ensure a transition to a new vendor won't interrupt the flow of ticket revenue -- a stream of cash on which City Hall has come to rely. Redflex, now facing scrutiny across the country following disclosures prompted by a Tribune investigation, is under pressure to cooperate in its own exit from Chicago.

More than 100 questions from Redflex's potential successors have raised myriad concerns about how to satisfy the city's insistence on a seamless handoff -- from where to obtain spare camera parts to how to unlock encrypted and proprietary software. Some even asked if they can hire Redflex as a subcontractor.

The answer from City Hall: an emphatic "No."

After what it describes as a "limited transition period," there will be no spare parts from Redflex, no software help, no maintenance contracts, the mayor's office said. "The one thing we are not open to is a continued relationship with Redflex," said Bill McCaffrey, an Emanuel spokesman.

Further complicating the transition is the fact that the administration of former Mayor Richard M. Daley opted to purchase outright the Redflex camera systems installed at 190 intersections around Chicago at a price tag of about \$19 million. Redflex has earned the bulk of its money in Chicago operating and maintaining a camera network owned by taxpayers.

According to interviews and the city's responses to bidder questions, it is looking more likely the city will have to scrap that network and replace it with equipment from the new vendor. Potential bidders, who spoke only on the condition of anonymity, said starting from scratch with new equipment is the best option.

"It's clear to us that is the direction the city is going," said one red-light executive. "So that is what we intend to propose."

An executive of another potential bidder said the Redflex cameras are likely to be a multimillion dollar heap of shiny metal.

"Look, it's not like it can't be done. Of course we can figure out how to use their equipment," said the company executive. "But all things being equal, it would be much simpler -- and preferable -- just to use our own cameras. There are a lot of questions about how this might work."

Just how much a completely new system will cost the city depends on the bid proposals. The city moved the bid deadline from April 30 to Friday "in light of the number and complexity of questions."

The bribery scandal has also complicated Emanuel's plans to install automated speed cameras in school and park zones -- an effort with the potential to dwarf the red-light program in size and revenue. The city had hoped to raise as much as \$30 million in speeding-ticket revenue this year alone and Redflex officials had hoped to snag that contract as well.

One of the mayor's closest political allies, former campaign manager Greg Goldner, was working as a consultant to Redflex at the time Emanuel won legislative and City Council approval for speed cameras. The Tribune disclosed that as part of his efforts to promote Redflex around the country, Goldner hired the former city official who oversaw the red-light program since it began.

In a series of reports, the newspaper has raised questions about a much deeper relationship between Redflex and that manager, John Bills.

In addition to providing Bills with 17 vacation trips, the company has acknowledged paying \$2 million to a consultant who is a longtime Bills friend -- a relationship disclosed by the Tribune in October. Authorities will "likely" consider the consultant's payments part of a bribery scheme, according to an internal company investigation in February. Bills and his friend have denied any wrongdoing.

The disclosures have been devastating for the company.

The top managers of Redflex were replaced. Emanuel initially banned the company from competing for his speed-camera initiative on grounds Redflex officials had kept the Bills allegations secret until the Tribune inquiries. In February, as the corruption allegations widened, the mayor declared the company would no longer be welcome in Chicago when its red-light contract expires in July.

The city had hoped to have speed cameras running earlier this year, but no deal has been signed. The city is still in negotiations with its top choice, one of Redflex's fiercest rivals, American Traffic Solutions Inc. ATS is also considering bidding to take over Redflex's red-light business.

Although the city has told potential bidders it hopes to make a selection by the end of July, the transition period is open ended. McCaffrey said the city is open to three options: buying all new red-light cameras from the new vendor, leasing the new vendor's equipment or figuring out a way for a new vendor to use Redflex's equipment without ongoing help or parts from Redflex.

The mayor's office rejected Tribune requests for an interview with city transportation officials to discuss the complications.

But an examination of the questions submitted by potential bidders, which include suburban-based RedSpeed Illinois, Maryland-based Xerox State & Local Solutions Inc. and Arizona-based ATS, illustrate some of the problems. Nearly half the questions centered on the potential pitfalls in taking over a competitor's program. They asked technical questions about decryption keys and transfer protocols. They also asked simpler questions about the availability of technical manuals and whether or not they would be allowed to purchase replacement parts from Redflex.

"The current vendor cannot perform services as a subcontractor for this project," the city responded. "After the transition period, there cannot be any relationship with the current vendor or any successor assignee to the current vendor without city authorization."

The city also said Redflex has agreed to provide training and a "translation program" for any new vendor seeking to marry its software with the Redflex network.

But the most likely scenario remains a total system replacement.

In that case, one potential vendor said the city might be able to offload its Redflex relics to an aftermarket buyer in Latin America.

dkidwell@tribune.com

Twitter @DavidKidwell1

Photo: Officials are saying that the company that takes over the red-light camera business won't have contact with Redflex.
CHRIS SWEDA/TRIBUNE PHOTO

COLUMN: TRIBUNE WATCHDOG Red-Light Scandal

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COVERING CHICAGO'S NINE POLITICAL INFLUENCERS

IG Report Questions Locations of Chicago Red-Light Cameras

By



Chicago Department of Transportation can't substantiate claims that red light cameras were placed at "intersections with the highest angle crash rates in order to increase safety," report states. Mary Ann Ahern reports. (Published Tuesday, May 14, 2013)

A [new report from Chicago's inspector general](#) finds safety might not be the city's main goal when picking the locations of red light cameras. In some cases, the report finds, it's not clear why certain spots were chosen.

The report, released Tuesday by Inspector General Joe Ferguson, says the Chicago Department of Transportation couldn't substantiate claims that red light cameras were placed at "intersections with the highest angle crash rates in order to increase safety."

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City Collected \$69M in Red Light Fines in 2012

There are nearly 400 cameras around the city. The top five most-ticketed intersections raised more than eight million dollars, and many of them are in some of the city's busiest neighborhoods. Rob Elgas reports. (Published Tuesday, Feb. 19, 2013)

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Some camera-protected intersections, the report finds, have no recent angle crashes and the cameras haven't been moved to reflect that. Since the program started in 2003, the city relocated 10 cameras from five intersections out of a total of 384 cameras at 190 locations, according to the report.

"The city cannot effectively manage its programs unless it measures its programs," Ferguson said in a statement. "In addition to finding that the City cannot prove [red-light camera] installation locations are based on safety considerations, we discovered a striking lack of basic recordkeeping and analysis for this \$70 million program."



Rahm on RedFlex Violations

Mayor Rahm Emanuel removed Redflex Traffic Systems Inc.'s bid for the city's speed camera contract after an Chicago Tribune investigation turned up ethics violations. (Published Wednesday, Oct. 17, 2012)

READ: Chicago Inspector Generals' Full Report

According to the report, the program made \$61 million in 2012. The most tickets, 19,805, were issued at Cicero and I-55 for a total ticket value of \$1.9 million. Other heavily ticketed intersections include Lake Shore Drive and Belmont (16,273), LaFayette and 87th (15,226) and Van Buren and Western (15,090).



Quinn Defends Speed Cameras

Governor signed a bill Monday morning to retrofit Chicago red-light cameras with speed sensors at intersections near schools and parks. (Published Monday, Feb. 6, 2012)

Top 10 Most-Ticketed Red-Light Camera Intersections

The report calls on Chicago to establish clear criteria about locating and moving the cameras and to retain records and documentation of the process for each location.

In response, CDOT said it is committed to the effective management of the program and noted a majority of the locations were chosen five or more years ago, during the previous administration when none of the current CDOT leadership was in place.

In response to several questions about the program, CDOT said analysis of traffic crashes is more complicated than it seems.

"Traffic in general, and traffic crashes in particular, are not deterministic but are highly variable," CDOT said in a statement response included in the report. "Thus all analysis of traffic crashes reflects a specific combination of these factors, which may or may not be duplicated in an audit."

CDOT also noted the city is in the process of choosing a new red-light camera vendor and said it will work with the vendor to review current camera locations.

"I support these stated intentions," Ferguson said in response, "and look forward to the results of the analyses, which the IGO will assess in a future audit of the program."

Mayor Rahm Emanuel extended Chicago's contract with current vendor, Redflex, for a second time last month in hopes of ending the relationship for good in the near future.

Emanuel removed Redflex Traffic Systems Inc.'s bid for the city's speed camera contract after an investigation turned up ethics issues. The violations included

paying a \$910 hotel bill for a city official who oversaw the program and failing to inform the city about it in a timely manner.

Published at 10:55 AM CDT on May 14, 2013

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Tab 51

News / Local news / Clout Street

Inspector general blasts red light ticket program



A photo-enforced sign warns drivers heading east on West Hollywood towards North Sheridan in Chicago in 2009. (Jose M. Osorio, Chicago Tribune)

By **Hal Dardick**
Clout Street

MAY 14, 2013, 6:42 PM

City Hall cannot back up claims that its controversial red-light camera program is designed to make intersections safer, according to a watchdog's report released Tuesday.

Inspector General Joseph Ferguson said the city cannot provide documents to prove that the cameras went up at intersections with the most side-impact crashes. He also questioned why cameras remain at intersections with no recent history of such crashes, which the \$100 ticket-issuing "cops-in-a-box" are designed to prevent.

"We found a lack of basic record keeping and an alarming lack of analysis for an ongoing program that costs tens of millions of dollars a year and generates tens of millions more in revenue," Ferguson wrote in a letter addressed to Mayor **Rahm Emanuel** and other city officials.

The conclusions are the result of an audit of the red light camera program, which was launched under former Mayor [Richard Daley](#) in 2003 and now makes more than \$70 million a year for the city.

Ferguson also faults Emanuel, noting that the mayor has continued the program during his first two years in office despite the Chicago Department of Transportation's inability to demonstrate "how each camera location was chosen, or why cameras in locations with no recent angle crashes have not been relocated."

Emanuel is in the process of ending the current red light camera contract with Redflex after the Tribune exposed a potential \$2 million bribery scheme involving the company's deal with the city. The mayor is seeking bids for a new vendor even as he looks to install new speed cameras near schools and parks across the city, in part to generate at least \$20 million.

There are now 384 red light cameras at 190 intersections, according to Ferguson's audit. In 2012 the city issued 612,278 red light camera tickets, and it collected nearly \$72 million from drivers ticketed that year and in previous years, plus any fines owed, the audit states. Last year, the city paid more than \$19 million to Redflex to run the program. During the past 11 years, it has paid Redflex more than \$106 million.

Even if the goal of the program really is to generate city revenue, it's not clear that goal is being met, Ferguson also concluded. "We found no evidence of this program being managed in a manner designed specifically to maximize revenue," he wrote.

And the city is spending \$13,800 a year to maintain each camera, which cost \$25,000 apiece. "We question whether the city or contract personnel have undertaken any meaningful effort to limit unnecessary costs," Ferguson wrote.

Ferguson recommended "that the city establish and follow clear criteria for its decisions on where to locate automated traffic law enforcement systems and retain verifiable documentation of the process for each location decision."

In response to the audit, CDOT officials noted that no red light cameras have been installed during Emanuel's two years in office. They also said angle crashes were reduced by nearly a third at intersections where the cameras were installed.

"As part of our commitment to integrity and transparency, CDOT will review the red light camera installation and removal criteria and determine what, if any, modifications should be made," CDOT spokesman Pete Scales said in a statement.

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This article is related to: [Chicago City Hall](#), [Rahm Emanuel](#), [Richard M. Daley](#), [Chicago Mayor](#)

Tab 52

NewsRoom

5/15/13 Chi. Trib. 4
2013 WLNR 11900270

Chicago Tribune
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May 15, 2013

Section: News

City can't back up camera claims
Inspector general's report cites CDOT's 'alarming' lack of analysis, documents

Hal Dardick, Tribune reporter

City Hall cannot back up claims that its controversial red-light camera program is designed to make intersections safer, according to a watchdog's report released Tuesday.

Inspector General Joseph Ferguson said the city cannot provide documents to prove that the cameras went up at intersections with the most side-impact crashes. He also questioned why cameras remain at intersections with no recent history of such crashes, which the \$100 ticket-issuing "cops-in-a-box" are designed to prevent.

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hdardick@tribune.com

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Photo: A red light camera on Chicago's North Side has a motorist in its sights. The city has placed 384 such devices at 190 intersections. CHRIS SWEDA/TRIBUNE PHOTO

---- Index References ----

News Subject: (Government (1GO80); Local Government (1LO75))

Industry: (Central Processing Unit Applications (1CE84); Electronic Components (1EL91); Electronics (1EL16); Passenger Transportation (1PA35); Photography (1PH49); Photography, Imaging & Graphic Arts (1PH26); Semiconductor (1SE88); Semiconductor Applications (1SE81); Semiconductors in PCs & Peripherals (1SE95); Traffic (1TR52); Transportation (1TR48))

Region: (Americas (1AM92); Illinois (1IL01); North America (1NO39); U.S. Midwest Region (1MI19); USA (1US73))

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NewsRoom

Tab 53

Red-faced: Red-light camera company caught in bribery scandal

By [David McNair](#) | dave@readthehook.com

Published online 4:28pm Thursday May 16th, 2013

and in print [issue #1220](#) dated Thursday May 16th, 2013



They're watching you. Red-light cameras stand like sentinels facing the southbound lane of Route 29.

File photo by Dave McNair

The red-light cameras that Albemarle County installed at the intersection of Route 29 and Rio Road in 2011 have caught thousands of red-light runners and generated thousands in ticket revenue. But according to a story first broken by the *Chicago Tribune*, representatives of the Australia-based company that operates the cameras, Redflex, have been caught red-handed bribing a Chicago transportation official. The company is now under federal investigation.

Following the Chicago bribery scandal, Redflex has also been losing contracts across the country. City officials in Orange County, Florida, San Rafael, California, Jefferson Parish, Louisiana, and Prescott, Arizona, who were considering using the systems, which nab red-light runners with still photography and video, have all decided against contracting with the company.

"I just don't think it's appropriate for us to congratulate a company that has this type of core value failure," Orange County Commissioner Fred Brummer told the *Chicago Tribune*, before a 7-0 vote against Redflex. "The appearance, to me, is just dreadful, and appearances matter."

Here in Albemarle County, police and government officials were enthusiastic about the installation of the controversial cameras, claiming they would eventually make the troublesome intersection safer. According to Albemarle spokesperson Lee Catlin, the county will "continue to closely monitor the situation [with the Redflex bribery scandal] and consider our options, including termination of our contract should circumstances warrant," but there are no immediate plans to cut ties with Redflex and the red-light camera system.

"We haven't discovered any irregularities or concerns that negatively impact Albemarle County's contractual relationship with Redflex," says Catlin.

However, Catlin says the county is "aware of the allegations involving two Redflex employees," and in light of that situation "have thoroughly reviewed our history and relationship with Redflex and received a full explanation from company regarding how they are responding."

According to the 2012 data, there has been a reduction in crashes due to red-light running, from 23 in 2010, before the cameras were installed, to 12 in 2011. However, compared to 2010, overall crashes at the intersection (which includes those not directly related to red-light running) since the cameras were installed actually increased in 2011.

Indeed, according to a 2007 Virginia Transportation Research Council study, determining the real effectiveness of the cameras can be elusive, as the findings could be turned on their heads by specific intersections that see a general increase in all types of crashes, regardless of the cameras. In Fairfax County, red-light running decreased at four camera intersections studied, but increased at five other intersections. "Every intersection is different," said one of the study's research scientists.

There has, however, been one clear bit of data: The cameras generate big bucks. In 2011, 6,187 red-light runners were nabbed at the 29/Rio intersection, generating \$309,350 in gross ticket revenue. And keep in mind— that's with cameras at only two approaches to the intersection. In 2012, tickets issued dipped a bit to 5,656, but that's still \$282,800 in gross revenue. The amount of money the cameras can generate, especially with a big-city contract, was at the heart of the Chicago scandal.

According to the *Tribune*, which broke the story, Redflex company officials allegedly were paying bribes to the Chicago city transportation official who oversaw the contract with the company, in the form of 17 all-expenses-paid vacation trips, including meals and golf. The company also paid a close friend of the transportation official \$2 million in consulting fees, money that likely went to the transportation official.

And Chicago isn't the only place where there has been trouble. In Jefferson Parish, Louisiana, city officials voted to refund nearly \$20 million in fines and shut down the program after a scandal involving a lobbyist who worked for Redflex, according to the *Tribune*.

Since then, the president of the Australia-based company has been appearing before community officials in person where contracts are being considered, trying to stop the bleeding on a scandal that has cost the company tens of millions in lost revenue.

Tab 54

County right to wait out Redflex woes

The Daily Progress | Posted: Friday, May 24, 2013 8:26 am

The company that provides Albemarle County's red-light camera at U.S. 29 and Rio Road — and that is being considered to provide additional traffic surveillance for school buses — has crashed into a scandal that has sent its stock prices plummeting and caused other jurisdictions to break off negotiations for services.

Albemarle is simply monitoring the situation for the time being.

Australia-based Redflex Holdings Limited has finally admitted paying \$2.03 million from 2003 to 2012 to a consultant with ties to a Chicago transportation official and covered vacation-related expenses for 17 trips for that official. Suspicions had been raised some time ago by the Chicago Tribune, but the company came clean about the problem only in March, in a filing with the Australian Securities Exchange.

The filing admits that the payments “will likely be considered bribery by the authorities.”

This does not appear at this time to be the kind of financial scandal that critics feared when Albemarle began turning traffic surveillance over to Redflex. Critics worried that because Redflex stands to make money from issuing traffic tickets, it would be less than rigorous in protecting motorists from unfairly issued traffic tickets.

At one end of the scale: simple negligence perhaps motivated only subconsciously by the knowledge that more ticketing creates a greater revenue stream for the company. At the other end of the scale of potentialities: deliberate manipulation of the evidence.

The Chicago scandal seems to deal with the awarding of contracts rather than the implementation of those contracts. After all, Redflex was paying out money to certain individuals, not apparently raking in revenue of a questionable nature. The motives and legality of those payouts have yet to be established; such answers might require a court.

This newspaper remains opposed to red-light cameras for a number of reasons, including the possible temptation to use the program as a moneymaker, with all the risks to justice that entails.

But now that the program is in place, it is important to judge it fairly. And unless and until it becomes evident that Redflex has failed to meet its contractual obligations to Albemarle County, or that its current problems indicate probable failure to meet them in the future, Albemarle is right to adopt a wait-and-see approach.

Tab 55

NewsRoom

6/24/13 Chi. Trib. 1
2013 WLNR 15361702

Chicago Tribune
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June 24, 2013

Section: News

Public in the dark on red-light bids
City Hall won't reveal details until contract finalized

David Kidwell, Tribune reporter

Chicago's red-light camera program would cost taxpayers more and would rely on radar guns under one of seven bid proposals quietly under review by City Hall in its effort to replace the scandal-scarred company that holds the current contract.

How the new proposal compares with those of the other six bidders, only Mayor Rahm Emanuel's administration knows.

Emanuel's office is following the long-standing -- and completely legal -- Illinois practice of withholding records related to bids until a contract decision is finalized. But while Emanuel portrays his administration as "among the most transparent cities in the country," his adherence to bidding secrecy means Chicagoans don't get the same opportunity to oversee the decisions of public officials as taxpayers do elsewhere.

An Emanuel spokesman said the city won't release the competing red-light bids in order to preserve its "negotiating advantage" with the potential vendors. The new vendor will replace Redflex Traffic Systems Inc., which Emanuel fired after a series of Tribune disclosures revealed the company may have bribed the former city official who was crucial to selecting Redflex and oversaw its contract since it began in 2003.

Redflex recently lost a similar competition in Florida, but unlike here the selection process played out in view of the public, including the unveiling of all bids months before a preferred bidder was chosen.

"It's very important to us that the public be included at every step of the selection process," said Johnny Richardson, head of public procurement in Orange County, Fla., which is negotiating its red-light camera contract with the preferred bidder. "It is important for them to know that no one is getting their palms greased along the way."

In Orange County, the evaluation committee met in public to open the bids, to debate the proposals and to score the bids. Taxpayers were invited to the offices of county commissioners for their individual meetings with the bidding companies. And the potential vendors discussed their myriad differences in a public hearing after they were scored.

In Florida, it's a crime for public officials to meet, discuss or even to communicate on public contracts outside taxpayer scrutiny. In Chicago, not only is the secrecy legal, it is policy.

While many state laws like Illinois' allow governments to select contractors in secret, others like Florida open the process to more public scrutiny. In nearby Michigan, for instance, bid proposal documents are available to the public from the beginning of the selection process.

The only one of the seven Chicago red-light camera bidders to comply with Tribune requests to provide their bid packages was a company with its headquarters in Florida.

"We come from a culture of transparency," said Craig Waltzer, CEO of GovComm Inc. in Miami. "What we saw in Chicago was something that gave our entire industry a black eye. It's important that people trust everyone is playing by the rules and that it's all been aboveboard.

"For some reason, everything seems to be top secret," he said. "And it's really no big deal. We are capturing images of license plates. We're not landing people on the moon. There are no military secrets being employed here."

Waltzer's 84-page proposal details his company's schedule of fees, its list of subcontractors, references, experience, and its plan to replace the city's system of high-maintenance pavement sensors with above-ground radar to detect stoplight violators.

"Radar may have a higher initial cost, but it is more accurate (resulting in higher violation success rates)," Waltzer wrote in the proposal. "Radar is not subject to road construction disruption and does not require regular maintenance."

GovComm also lists its Chicago-based subcontractors, including a company called City Lights Ltd., which has been intricately involved in the operation and maintenance of Chicago's red-light program under the current vendor, Redflex Traffic Systems Inc.

Waltzer proposes a baseline \$660,000 monthly charge for operation and maintenance of the 384 city-owned cameras installed by Redflex. That amounts to about a 10 percent increase over what Redflex charges, meaning the city would pay about \$39.6 million for a five-year deal. There would be added costs for new camera equipment, relocation and other extraordinary expenses.

All six other bidders declined Tribune requests for their bid proposals.

That includes the Arizona-based American Traffic Solutions Inc., which benefited from the public process in Orange County by using public records to appeal how the bidders were scored. It has been named the preferred bidder there in a project to expand the county's 10-camera program to 80 cameras.

In addition to bidding for the Chicago red-light program, ATS in February was selected as the top bidder for Emanuel's new speed camera initiative and is in contract negotiations for that program. The mayor's office has refused to release the speed camera bids until a final contract is awarded.

ATS spokesman Charles Territo said his company complies with the procurement rules wherever it competes.

"It is our position that the decision on when to release our proposal won't be done until we receive permission from the requestor," Territo said, referring to Chicago officials. "If the rules of the procurement compelled us to release the proposal, we would certainly do so."

Emanuel's office refused Tribune requests for an interview, instead releasing this statement through the mayor's press office:

"The City of Chicago releases and posts online all winning and losing bid information once a vendor has been chosen and a contract awarded, ensuring total transparency while maintaining a negotiating advantage that protects taxpayers' financial interests. Chicago is among the most transparent cities in the country when it comes to providing information about procurement,

the bidding process, its contractors and subcontractors, and continues to make technology enhancements to make information accessible."

But Emanuel's office has repeatedly denied Tribune requests for records that might illuminate the mayor's decision-making.

The mayor's office last year denied Tribune requests for emails, phone records and other City Hall records related to Emanuel's decision to start a speed camera program, citing an exemption in state open records law for internal communications that precede a final decision on contracts or policies.

Chicago's red-light camera contract went up for grabs this year when Emanuel dumped Redflex following a series of Tribune reports about the cozy relationship between the firm and a longtime city manager who oversaw its contract, John Bills.

Redflex has since acknowledged it paid a longtime friend of Bills \$2 million as a consultant in an arrangement that "will likely be considered bribery by law enforcement authorities," according to an internal Redflex investigation commissioned in response to the newspaper accounts.

Both Bills and his consultant friend, Marty O'Malley, have denied any wrongdoing. But the scandal has cost Redflex its six top management executives as well as its largest contract in North America. Redflex contracts across the country have also come under scrutiny. The Chicago scandal was cited in Orange County when commissioners opted to go with ATS even though the Redflex proposal was ranked higher by staff.

dkidwell@tribune.com

---- Index References ----

Company: CITY LIGHTS LTD; REDFLEX TRAFFIC SYSTEMS INC

News Subject: (Government (1GO80); Local Government (1LO75))

Industry: (Central Processing Unit Applications (1CE84); Electronic Components (1EL91); Electronics (1EL16); Passenger Transportation (1PA35); Photography (1PH49); Photography, Imaging & Graphic Arts (1PH26); Semiconductor (1SE88); Semiconductor Applications (1SE81); Semiconductors in PCs & Peripherals (1SE95); Traffic (1TR52); Transportation (1TR48))

Region: (Americas (1AM92); Florida (1FL79); Illinois (1IL01); North America (1NO39); U.S. Midwest Region (1MI19); U.S. Southeast Region (1SO88); USA (1US73))

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Other Indexing: (Craig Waltzer; John Bills; Johnny Richardson; Marty O'Malley; Rahm Emanuel; Charles Territo)

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Tab 56

NewsRoom

6/24/13 Chi. Bus. J. (Pg. Unavail. Online)
2013 WLNR 15435705

Chicago Business Journal
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June 24, 2013

Seven bidders want Chicago traffic camera contract

Staff

Mayor Rahm Emanuel's office is considering seven bids to operate Chicago's red-light cameras, according to a report by the Chicago Tribune.

However, the Tribune added, the city is also keeping those deliberations, and the details of each bid, secret until after it selects a winner. So far, the Tribune said, only GovComm, a Miami-based company, voluntarily provided details to the Tribune for review. According to the report, GovComm would charge \$660,000 on a monthly basis to operate the city's 384 cameras, or about \$39.6 million over what's expected to be a five-year contract..

The city's red-light contract is up for bid after RedFlex Traffic Systems, the previous operator, was found to have given expensive gifts to a retired city official who had been charged with overseeing the cameras' operation.

In a separate traffic camera report, the Chicago Sun-Times said that the city's agreement with American Traffic Solutions to operate its speed cameras will begin in August, with tickets first issued in September. Previous reports said those cameras would be installed in about 300 locations, though the Sun-Times report said the first batch would go near 50 schools and parks.

The city expects to generate about \$15 million in revenue from the speed cameras in 2013, the report said.

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---- Index References ----

Company: CHICAGO SUN TIMES INC; REDFLEX TRAFFIC SYSTEMS INC; TRIBUNE CO; AMERICAN TRAFFIC SOLUTIONS INC

News Subject: (Crime (1CR87); Automobile Crime (1AU99); Social Issues (1SO05))

Industry: (Electronic Components (1EL91); Semiconductors in PCs & Peripherals (1SE95); Passenger Transportation (1PA35); Photography, Imaging & Graphic Arts (1PH26); Electronics (1EL16); Central Processing Unit Applications (1CE84); Semiconductor Applications (1SE81); Semiconductor (1SE88); Transportation (1TR48); Traffic (1TR52); Photography (1PH49))

Region: (North America (1NO39); Illinois (1IL01); USA (1US73); Americas (1AM92); U.S. Midwest Region (1MI19))

Language: EN

Other Indexing: (Rahm Emanuel)

Word Count: 236

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NewsRoom

Tab 57

NewsRoom

8/14/13 Chi. Trib. 4
2013 WLNR 20119714

Chicago Tribune
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August 14, 2013

Section: News

City picks red light vendor
If deal is cut, Xerox will replace Redflex in wake of scandal

David Kidwell, Tribune reporter

A traffic camera company that lost its Baltimore contract earlier this year after acknowledging that its faulty equipment resulted in thousands of erroneous speeding tickets was named Tuesday as the preferred bidder to take over Chicago's scandal-ridden red light camera program.

Xerox State & Local Solutions Inc., based in Maryland, was picked unanimously by a seven-member selection committee in Mayor Rahm Emanuel's administration, which will now enter contract negotiations with the company, the mayor's office said in an email to the Tribune.

Xerox would replace the city's current vendor, which is embroiled in a federal bribery investigation at City Hall following Tribune reports about an improper relationship between the city official who oversaw the \$300 million program and executives of the company, Arizona-based Redflex Traffic Systems Inc. Redflex, which has so far earned more than \$100 million in its 10-year run as the city's red light vendor, was fired by Emanuel after the Tribune reports but still runs the program under contract extensions through the end of the year.

Xerox Corp., best known for its onetime domination of the photocopier market, is a relative newcomer to the automated camera industry. In 2009 it purchased Affiliated Computer Services Inc. -- well-known in the industry -- for \$6.4 billion.

Xerox State & Local Solutions was replaced in Baltimore earlier this year by a vendor the city said offered a higher return after a series of reports in the Baltimore Sun documenting problems with the speed camera program. Xerox officials have said the problems in Baltimore accounted for less than 1 percent of all the tickets issued there.

"The majority of our camera programs are extremely well run and our customers are very satisfied," Xerox Corp. spokesman Carl Langsenkamp said. "That's really all I have to say about Baltimore. ... Obviously, we are very pleased to be selected to begin negotiations with the city of Chicago."

Emanuel's office refused to discuss details of the Xerox proposal or those of the other three finalists while the contract is being negotiated.

"The evaluation committee checked references as part of its thorough review process and contacted Baltimore officials about Xerox, which successfully conducts business with many municipalities," Emanuel spokesman Bill McCaffrey said in an email. "Neither Baltimore nor any other municipality has debarred or declared Xerox ineligible to contract for city business."

The mayor's office did say Xerox was favored in part because of its plan to reuse as much of the city-owned Redflex equipment as possible, while "replacing all existing electronics with non-intrusive detection in the fastest time frame."

After Emanuel fired Redflex earlier this year, the replacement process hit a snag because of confusion over how a new company could operate the \$19 million in Redflex camera equipment the city purchased.

dkidwell@tribune.com

---- Index References ----

Company: XEROX CORP; XEROX BUSINESS SERVICES LLC

News Subject: (Government (1GO80); Local Government (1LO75); Major Corporations (1MA93))

Industry: (Central Processing Unit Applications (1CE84); Electronic Components (1EL91); Electronics (1EL16); Office Equipment (1OF21); Passenger Transportation (1PA35); Semiconductor (1SE88); Semiconductor Applications (1SE81); Semiconductors in PCs & Peripherals (1SE95); Traffic (1TR52); Transportation (1TR48))

Region: (Americas (1AM92); Illinois (1IL01); Maryland (1MA47); North America (1NO39); U.S. Mid-Atlantic Region (1MI18); U.S. Midwest Region (1MI19); USA (1US73))

Language: EN

Other Indexing: (Carl Langsenkamp; Rahm Emanuel; Bill McCaffrey)

Keywords: (CHICAGOLAND)

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NewsRoom

Tab 58

NewsRoom

10/26/13 Chi. Trib. 4
2013 WLNR 26945508

Chicago Tribune
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October 26, 2013

Section: News

City OKs deal for red light vendor
Chicago to pay tab for new cameras in \$44M Xerox pact

Bill Ruthhart, Tribune reporter

Mayor Rahm Emanuel's administration announced Friday that it has reached an agreement to replace the city's troubled red light camera operator that has been embroiled in a federal bribery investigation at City Hall.

As a result of the changeover, the city will pay the new vendor to replace much of the \$19 million in equipment bought under former Mayor Richard Daley to operate 384 cameras at 190 intersections across Chicago.

The new five-year deal with Maryland-based Xerox State & Local Solutions Inc. is worth up to \$44 million. The contract, signed Thursday, allows for three two-year extensions.

Xerox replaces Redflex Traffic Systems Inc., which has been under federal investigation in connection with a \$2 million bribery scheme following Tribune reports about an improper relationship between company executives and the city official who oversaw the \$300 million red light ticketing program.

Emanuel fired Redflex in February in the wake of the reports and gave the company six months to leave town. The move to evict Redflex hit a snag because of confusion over how a new company could operate Redflex equipment the city had purchased.

So the company's contract was extended and will run out Jan. 31, city spokesman Bill McCaffrey said. But under the new deal, Xerox has seven months -- until May 24 -- to take full control of the red light system, meaning Redflex's contract could be extended yet again, McCaffrey said. In its 10-year run as the city's red light vendor, Redflex has earned more than \$100 million.

The city selected Xerox as the winning bidder in August, and at the time the mayor's office said the company was favored in part because of its plan to reuse as much of the city-owned Redflex equipment as possible.

But under its deal with the city, Xerox is expected to replace all of the Redflex cameras and flashes the city purchased, McCaffrey said. Although Xerox may choose to run some of the old cameras on its operating system, it is not expected to repair or perform any maintenance on Redflex equipment, he said. The city will lease cameras from Xerox instead of buying them as it did with Redflex, he added.

There is no clear timetable for when Xerox might replace all the cameras, and the contract leaves the decision up to the company, McCaffrey said. The company is, however, expected to use the poles and cabinets that house the city's existing cameras, he said.

Earlier this year, Xerox lost its Baltimore speed camera contract after acknowledging that its faulty equipment resulted in thousands of erroneous tickets. The company was replaced there by a vendor the city said offered a higher return after reports in The Baltimore Sun that documented problems. Xerox officials have said the problems in Baltimore accounted for less than 1 percent of all the tickets issued there.

Arizona-based American Traffic Solutions operates Chicago's separate speed camera system.

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---- Index References ----

Company: REDFLEX TRAFFIC SYSTEMS INC

News Subject: (Major Corporations (1MA93))

Industry: (Cameras (1CA82); Office Equipment (1OF21); Passenger Transportation (1PA35); Photography (1PH49); Photography, Imaging & Graphic Arts (1PH26); Traffic (1TR52); Transportation (1TR48))

Region: (Americas (1AM92); Illinois (1IL01); Maryland (1MA47); North America (1NO39); U.S. Mid-Atlantic Region (1MI18); U.S. Midwest Region (1MI19); USA (1US73))

Language: EN

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NewsRoom

Tab 59

NewsRoom

10/28/13 Chi. Bus. J. (Pg. Unavail. Online)
2013 WLNR 27136539

Chicago Business Journal
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October 28, 2013

Red light camera contract with Xerox could save Chicago bundles

Staff

The Chicago Department of Transportation has finalized a contract for operating the city's red light camera system.

According to a report by the Chicago Sun-Times, Mayor Rahm Emanuel said the new deal with Xerox State & Local Solutions could save the city \$10 million annually. The expected savings, amounting to about a 58 percent reduction in the amount the city was paying the previous operator, Redflex Traffic Solutions, would come from a difference in technology the two companies use to spot traffic violations, the report said.

The new contract is for five years, the Sun-Times reported, and can be extended two years up to three times.

Chicago picked Xerox (NYSE: XRX) in August, even though the company lost similar business in Baltimore earlier this year due to a problem that issued thousands of erroneous traffic tickets.

Redflex, which operated the cameras from launch in 2003, was dropped after revelations that the firm had given gifts to a recently-retired transportation official whose job had been to oversee the camera system.

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---- Index References ----

Company: XEROX STATE AND LOCAL SOLUTIONS INC; CHICAGO SUN TIMES INC; XEROX CORP

News Subject: (Major Corporations (1MA93))

Industry: (Automobiles (1AU45); Traffic (1TR52); Land Transportation (1LA43); Automotive (1AU29); Bundled Telecom Services (1BU78); Telecom (1TE27); Transportation (1TR48); Telecom Services (1TE09); Automotive Technology (1AU48); Office Equipment (1OF21); Passenger Transportation (1PA35))

Region: (Americas (1AM92); North America (1NO39); Illinois (1IL01); USA (1US73); U.S. Midwest Region (1MI19))

Language: EN

Other Indexing: (REDFLEX TRAFFIC SOLUTIONS) (Rahm Emanuel)

Word Count: 196

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NewsRoom

Tab 60

NewsRoom

11/14/13 Chi. Trib. 8
2013 WLNR 28650334

Chicago Tribune
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November 14, 2013

Section: News

Report corruption, mayor says
Proposed measure would require it of city contractors

Bill Ruthhart, Tribune reporter; Tribune reporter Hal Dardick contributed.

Mayor Rahm Emanuel proposed a measure Wednesday that would require city contractors to immediately report knowledge of corruption to Chicago's inspector general or risk losing their contract.

The mayor lauded the one-page ordinance as a "key reform" recommended by Inspector General Joseph Ferguson -- the city's top watchdog whom the mayor has blocked from accessing City Hall records.

It's unclear how much impact Emanuel's proposal would have because corrupt contractors are unlikely to tattle on themselves given the potential legal and financial repercussions.

Under the measure, a contractor's "knowing failure to report corrupt or unlawful activity" could result in the company's deal being terminated. Emanuel's office said the measure, if approved, would be incorporated into all future city contracts.

Ferguson's office said the corruption provision would have applied to the city's red light camera contract with Redflex Traffic Systems Inc., a company that has been under federal investigation following Tribune reports that detailed an alleged \$2 million bribery scandal between company officials and a former city transportation official.

But the Emanuel administration didn't need such an ordinance earlier this year when it disqualified Redflex from city work. Officials cited state laws and court precedents as reasons not to do business with the firm.

The administration dumped Redflex as the city's red light camera vendor and disqualified it from bidding to operate its new speed camera program.

In an October 2012 letter rejecting Redflex as a potential operator for the city's speed camera program, Chief Procurement Officer Jamie Rhee cited Redflex's failure to report complaints of corruption for covering an Arizona hotel stay for the transportation official.

"I find that Redflex's failure to timely report this incident to the city is unacceptable behavior and is a failure by Redflex to act in the city's best interest," Rhee wrote.

The mayor's ordinance came after Ferguson wrote him a letter in September pointing to a case in which his office found that a worker for a city subcontractor twice illegally solicited fees from city customers.

Instead of reporting the matter to the city, the unnamed subcontractor fired the employee, paid back the fees and reached an agreement with one victim not to pursue any wrongdoing, Ferguson wrote. The lack of reporting and cooperation from victims, Ferguson said, made it difficult for him to investigate further or pursue criminal charges.

If such a reporting requirement had been in place, the office might have had more success, Ferguson said.

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---- Index References ----

News Subject: (Corruption, Bribery & Embezzlement (1EM51); Crime (1CR87); Fraud (1FR30); Government (1GO80); Local Government (1LO75); Social Issues (1SO05))

Industry: (Passenger Transportation (1PA35); Traffic (1TR52); Transportation (1TR48))

Language: EN

Keywords: (CHICAGOLAND)

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NewsRoom

Tab 61

NewsRoom

1/23/14 Chi. Trib. 1
2014 WLNR 4709153

Chicago Tribune
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January 23, 2014

Section: News

Red light bribe scandal could be widespread
Fired exec names 13 states, says he's helping U.S. inquiry

David Kidwell, Tribune reporter

A fired executive of Chicago's beleaguered red light camera company alleges in a lawsuit that Redflex Traffic Systems doled out bribes and gifts at "dozens of municipalities" in 13 other states and says he is cooperating in an ongoing federal investigation.

The explosive allegations, accompanied by few specifics, suggest investigators may be examining Redflex's business practices around the country in the wake of the company's admission last year that its flagship camera program in Chicago was likely built on a \$2 million bribery scheme.

Aaron Rosenberg, who was the company's top national salesman, said in a civil defamation claim against Redflex that he was made a "scapegoat" to cover up a long-standing practice of "providing government officials with lavish gifts and bribes" after the Tribune began asking questions about the Chicago contract.

Redflex fired Rosenberg and sued him for damages in Arizona court in February, largely blaming him for the company's wrongdoing in Chicago. In a counterclaim filed in October, Rosenberg disclosed that he provided information to local and federal investigators as well as to the outside attorney who conducted a damaging private investigation of the company.

"I don't think it would come as a surprise to anyone involved in this case that my client is cooperating with federal authorities," James Burr Shields, who represents Rosenberg in the civil case, told the Tribune this week. He declined to elaborate.

Redflex filed a motion to dismiss part of his claim as legally deficient, and it declined to address the newspaper's questions about Rosenberg's specific allegations.

"Those responsible for violations of company policy and misconduct are no longer employed by the company. We are pleased that the market has responded favorably to our corrective actions and our continuing commitment to customer service: since March we have signed, renewed or executed over 90 contracts," Robert T. DeVincenzi, a board member and former CEO of Redflex Holdings Ltd., the Australian parent company, said in a statement issued by the company's North American headquarters in Phoenix.

Redflex lost its \$100 million Chicago contract, its largest in North America, amid investigations triggered in 2012 by Tribune reports of a questionable relationship between the company and the longtime Chicago city official in charge of the red light

program. But the company is still handling the city's red light camera operation thanks to a series of extensions while the city transitions to a new vendor.

The scandal prompted the company to jettison six of its top executives. One of them was Rosenberg, the company's former executive vice president. In its lawsuit, Redflex accused Rosenberg of a "protracted and covert scheme" to misappropriate company funds.

In his counterclaim against Redflex, Rosenberg said he was simply "carrying out orders" and that other company executives also participated in a "pattern and practice" of wooing potential clients with perquisites including meals, golf outings, professional football and baseball games -- all covered under a liberal company policy for "entertainment" expenses.

"A budget for these items was approved, and there was never a distinction between these types of entertainments and expenses that are considered gratuities and bribes," Rosenberg alleged in the filing.

Rosenberg said that during his tenure Redflex "bestowed gifts and bribes on company officials in dozens of municipalities within, but not limited to the following states: California, Washington, Arizona, New Mexico, Texas, Colorado, Massachusetts, North Carolina, Florida, New Jersey, Tennessee, Virginia and Georgia."

Attached as exhibits in Rosenberg's pleadings are emails about a Redflex-funded \$3,235.74 steak dinner during the 2006 Florida League of Cities conference that was attended by more than a dozen government officials who heard a Redflex pitch. In many jurisdictions, paying for meals is a permitted, though regulated, lobbying practice.

Redflex does not have contracts with many of the jurisdictions whose officials were identified in Rosenberg's exhibit. The company has more than 200 government clients around the United States. It has faced scrutiny from some of those clients and had its pitches rejected by other governments in the wake of the revelations.

The company acknowledged last year it was investigating further wrongdoing "in two other geographies" besides Chicago. A source familiar with the investigations confirmed that one of those places is Jefferson Parish, La., where parish officials shut down the red light program in 2010 amid a separate corruption scandal involving a lobbyist who worked for Redflex and numerous other clients.

Nothing in Rosenberg's filings help detail the allegations in Chicago now at the center of the federal investigation.

Rosenberg was named in a 2010 internal whistle-blower memo obtained by the Tribune that alleged widespread wrongdoing at Redflex, including a scheme to bribe a former top manager in the Chicago Department of Transportation with company-paid vacations on Rosenberg's expense account and through lucrative commissions paid to a consultant.

Redflex executives played down the letter in their response to initial Tribune inquiries and declared that a "deep dive" internal investigation found only one problem -- Rosenberg used the company tab to cover a \$910 hotel stay in 2010 at the Arizona Biltmore for the Transportation Department manager, John Bills. The company said it reprimanded Rosenberg and sent him to anti-bribery training but erred in not telling City Hall about the inappropriate gift.

That's when everything began to unravel for Redflex. Mayor Rahm Emanuel banned the company from competing for a new speed camera program and ultimately fired it as the red light vendor. Redflex fired Rosenberg amid a second internal investigation that found the company had misled city ethics officials and the Tribune about its problems.

The report, by former federal prosecutor David Hoffman, found that Redflex paid more than \$2 million to its Chicago consultant Marty O'Malley in an arrangement that was probably intended to funnel some of the money to Bills. Rosenberg and former

company CEO Karen Finley acted improperly in allowing the highly suspicious arrangement, which "will likely be considered bribery by the authorities," Redflex said in its summary of Hoffman's findings.

The investigation also found the company violated Chicago's ethics ordinance by paying for 17 trips for Bills, including hotel, airfare, rental cars, meals and golf outings, most on Rosenberg's expense account.

Finley did not return calls for comment. Bills and O'Malley have denied any wrongdoing. Their lawyers declined to comment.

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Read the Tribune's series on the Redflex investigation and Mayor Rahm Emanuel's speed-camera push at chicagotribune.com/redlight

Photo: A Redflex Traffic Systems red light camera watches over traffic at Cermak Road and Canal Street. JOHN J. KIM/TRIBUNE PHOTO

Photo: Redflex Traffic Systems, headquartered in this Phoenix building, says the officials associated with the bribery scandal no longer work for the company. JOSHUA LOTT/PHOTO FOR THE TRIBUNE

---- Index References ----

Company: REDFLEX HOLDINGS LTD; REDFLEX TRAFFIC SYSTEMS INC

News Subject: (Corruption, Bribery & Embezzlement (1EM51); Crime (1CR87); Fraud (1FR30); Government (1GO80); Lobby & Pressure Groups (1LO18); Social Issues (1SO05))

Industry: (Passenger Transportation (1PA35); Traffic (1TR52); Transportation (1TR48))

Region: (Americas (1AM92); Arizona (1AR13); Florida (1FL79); Illinois (1IL01); North America (1NO39); U.S. Midwest Region (1MI19); U.S. Southeast Region (1SO88); U.S. Southwest Region (1SO89); USA (1US73))

Language: EN

Other Indexing: (Robert Thomas DeVincenzi; Bob DeVincenzi; Aaron Rosenberg; Aaron Rosenberg; David Hoffman; Karen Finley; Karen Finley; Jefferson Parish; John Bills; Marty O'Malley; JOSHUA LOTT; James Burr Shields; Rahm Emanuel; JOHN KIM)

Keywords: (TRIBUNE WATCHDOG)

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NewsRoom

Tab 62

NewsRoom

2/5/14 Chi. Trib. 12
2014 WLNR 3187019

Chicago Tribune
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February 5, 2014

Section: News

City Council set to pass anti-corruption law
Contractors would be required to tell of ethical problems

Hal Dardick and John Byrne, Tribune reporters; Tribune reporter Bill Ruthhart contributed.

The Chicago City Council on Wednesday is expected to pass an ordinance requiring city contractors to self-report corruption, a proposal Mayor Rahm Emanuel has lauded as a "key reform."

Under the measure, which the City Council's Budget Committee endorsed Tuesday, a contractor's "knowing failure to report corrupt activity" could result in the city terminating the company's contract.

But it's unclear just how effective such a tool would be in helping to curtail such corruption, since contractors who are breaking the law are unlikely to tattle on themselves given the potential legal and financial ramifications.

Aldermen who voted for the measure in committee Tuesday, though, said the proposal would be a start. Current city ordinance only requires city officials to report corruption to the city's inspector general and makes no mention of contractors.

"If somebody is taking a bribe, or taking money -- 'Well, I saw 'em but I didn't want to say nothin' '-- yeah, we need to stop that," said Ald. Carrie Austin, 34th, who chairs the Budget Committee. "We need to start reporting that kind of activity that goes on, because that rips the city up."

The measure first was recommended by Inspector General Joseph Ferguson. Emanuel and Ferguson have not always seen eye to eye, most notably when the mayor defeated the inspector general's legal effort to secure unfettered access to City Hall documents.

Ferguson's office has said the corruption provision would have applied to the city's red light camera contract with Redflex Traffic Systems Inc., a company that has been under federal investigation following Tribune reports that detailed an alleged \$2 million bribery scandal between company officials and a former city transportation official.

The Emanuel administration, however, managed to disqualify Redflex from city work without a corruption-reporting provision for contractors. In that case, city officials cited state laws and court precedents as reasons to dump Redflex as the city's red light camera vendor and ban it from bidding to operate its new speed camera program.

In an October 2012 letter rejecting Redflex as a potential operator for the city's speed camera program, Chief Procurement Officer Jamie Rhee cited Redflex's failure to report complaints of corruption for covering an Arizona hotel stay for the transportation official.

"I find that Redflex's failure to timely report this incident to the city is unacceptable behavior and is a failure by Redflex to act in the city's best interest," Rhee wrote.

On Tuesday, Rhee told aldermen that contractors caught violating the new ordinance by not reporting corruption would be considered in default of their deals with the city even if they dealt with the situation in an appropriate fashion privately. But Rhee said the city will not go looking for violations by contractors, instead relying on authorities to uncover them.

"It's a step in the right direction," said Ald. Brendan Reilly, 42nd. "We have to rely on the inspector general to catch folks who aren't complying with this, but that's the best tool we have today."

Emanuel introduced the ordinance after Ferguson wrote him a letter in September pointing to a case in which his office found that a worker for a city subcontractor twice illegally solicited fees from city customers.

Instead of reporting the matter to the city, the unnamed subcontractor fired the employee, paid back the fees and reached an agreement with one victim not to pursue any wrongdoing, Ferguson wrote. The lack of reporting and cooperation from victims, Ferguson said, made it difficult for him to investigate further or pursue criminal charges.

If such a reporting requirement had been in place, the office might have had more success, Ferguson said.

The lack of such a requirement also made it more difficult for the city to determine if it needed to make changes to prevent such corruption, Rhee told aldermen.

"There was no duty for that vendor to report that," Rhee said of the case. "Once they discovered it, they did take the right action, they fired the person. But they denied the city the ability to look and see if indeed this is a widespread problem. Do we need to put some other safeguards into our departments or user controls over contracting?"

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---- Index References ----

Company: REDFLEX TRAFFIC SYSTEMS INC

News Subject: (Corruption, Bribery & Embezzlement (1EM51); Crime (1CR87); Fraud (1FR30); Government (1GO80); Local Government (1LO75); Social Issues (1SO05))

Industry: (Passenger Transportation (1PA35); Traffic (1TR52); Transportation (1TR48))

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Other Indexing: (Carrie Austin; Joseph Ferguson; Ald; Brendan Reilly; Jamie Rhee; Rahm Emanuel)

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NewsRoom

Tab 63

NewsRoom

2/21/14 Chi. Bus. J. (Pg. Unavail. Online)
2014 WLNR 4916154

Chicago Business Journal
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February 21, 2014

Duly Noted: Competing ride-sharing legislation working through City Council (Video)

Staff

The Chicago City Council has multiple pieces of legislation addressing ride-sharing services it's expected to consider next week. One proposed measure would apply taxes to the services similar to existing ones levied on taxi services, and another would create an entirely new category of regulation for businesses such as Uber, Lyft, and Sidecar. -- DNAinfo Chicago

Barnes & Noble (NYSE: BKS) confirmed it has received an offer from G Asset Management to buy 51 percent of its bookselling business, and 51 percent of its Nook e-reader business. The current offer is for about \$22 per share, up from G Asset Management's November offer of about \$20 per share. Should they prevail, the firm has indicated its interest in splitting the two businesses. -- Bloomberg video above

An Illinois state lawmaker, state Senator Daniel Biss, of Evanston, has proposed a bill that would prohibit police from tracking cell phone locations unless they go through a judge first. There are exceptions, including certain emergency situations and cell phones belonging to people who are under confinement. -- Chicago Sun-Times

It probably won't get as much attention as when Michael Jordan's effort to sell his Chicago mansion, but former Chicago Bulls star Scottie Pippen is selling a home. He and his wife live in Chicago and are seeking to sell a Ft. Lauderdale, FL, property for about \$11.8 million. -- Shaun Bevan of the South Florida Business Journal

Before Redflex Traffic Systems won the contract to operate Chicago's red light cameras, Chicago city official John Bills coached Redflex representatives on how to win the deal. That's according to a software engineer and now former employee of Redflex who says he was one of the people Bills coached. Bills is currently under investigation on suspicions he took bribes as part of Redflex's dealings with the city. -- Chicago Tribune

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---- Index References ----

Company: BARNES AND NOBLE INC; REDFLEX TRAFFIC SYSTEMS INC; CHICAGO SUN TIMES INC

News Subject: (Personal & Family Law (1PE02); Wills, Trusts & Estates (1WI05); Financial Markets (1FI87); Legal (1LE33); Private Equity (1PR15); Funding Instruments (1FU41); Exchange Listings & Delistings (1EX12))

Industry: (Financial Services (1FI37); Internet Regulatory (1IN49); Internet Media (1IN67); Internet (1IN27))

Region: (U.S. Southeast Region (1SO88); USA (1US73); Americas (1AM92); Florida (1FL79); North America (1NO39); U.S. Midwest Region (1MI19); Illinois (1IL01))

Language: EN

Other Indexing: (G Asset Management; South Florida Business Journal) (Daniel Biss; Scottie Pippen; John Bills; Michael Jordan; Shaun Bevan)

Word Count: 330

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NewsRoom

Tab 64

NewsRoom

2/21/14 Chi. Trib. 1
2014 WLNR 4828613

Chicago Tribune
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February 21, 2014

Section: News

Red light deal tied to secret meeting
Ex-Redflex manager says firm got inside help to click with city

David Kidwell, Tribune reporter

In a swanky bar overlooking the Chicago skyline, executives of a young and hungry red light camera company gathered for a secret meeting to get help in their fight for the city's business.

There to help provide it, according to a top company software designer, was a high-level city manager named John Bills -- the man who would later help steer a contract their way and oversee its decadelong expansion.

As the assembled team from Redflex Traffic Systems Inc. sipped wine at a table in the Signature Lounge atop the John Hancock Center and enjoyed an iconic view of the city, Bills explained the reason they had all been called there that night, software engineer Michael J. Schmidt told the Tribune in a recent interview.

"Essentially, he spent two hours coaching us on how to win the contract, telling us how to behave, what things were going to work and what wouldn't," Schmidt said. At the end of the February 2003 meeting, Schmidt said, Bills told them they would need to pretend it had never happened when he saw them the next day at a key City Hall meeting.

Bills, now under federal investigation over allegations he took bribes to help Redflex spread its cameras throughout Chicago, has denied any wrongdoing.

"John Bills denies such a meeting ever took place, and vehemently denies ever saying anything to them to coach them or to help them get that contract," said Nishay Sanan, Bills' defense attorney. "I also want to point out that my client didn't have the power or authority to award that contract."

Schmidt, who said he lost his job amid company downsizing last year, told the Tribune he has not been contacted by federal authorities. But the newspaper has learned that federal investigators are aware such a session took place and are probing the circumstances surrounding it.

According to Schmidt, one of the top Redflex executives at that meeting was Aaron Rosenberg, then the vice president of sales. Rosenberg, who was fired amid the scandal, disclosed in court papers that he is cooperating with the federal authorities.

The bribery investigation was triggered amid a series of Tribune stories that began in 2012 and raised questions about Bills' cozy relationship with Redflex, which grew a trial project at two Chicago intersections into the largest traffic camera enforcement program in the country.

The scandal has shaken the foundation of the Phoenix-based company and its Australian parent, Redflex Holdings Ltd., which acknowledged last year that its Chicago program was built on what federal authorities would likely consider a \$2 million bribery scheme involving Bills. Six top Redflex officials were jettisoned, and the company has come under scrutiny for its procurement practices across the country.

Redflex officials declined to answer the newspaper's questions about Schmidt's allegations or the federal investigation.

"In 2003, decisions regarding client relations were made by our former CEO and our former executive vice president, who are no longer with the company," Redflex spokeswoman Jody Ryan said in an email.

In 2003, Chicago was considering a trial program to stem what public officials called an epidemic of traffic scofflaws, and Redflex was a young company looking to strengthen its foothold in the highly competitive U.S. camera enforcement industry. Redflex was selected by a panel of seven city employees, including Bills, in a process long criticized by one powerful Chicago alderman as defying "law and logic."

Schmidt said he and five Redflex officials flew from Arizona to Chicago that February to attend a meeting at City Hall where city officials would set out the parameters of the trial program and answer any questions from the two potential vendors. That team included Karen Finley, then vice president of operations, and Rosenberg, he said.

Finley would go on to become company president and CEO. Rosenberg was fired last year by Redflex and sued for his role in the bribery scandal. He has countersued the company, alleging that Finley and others made him a scapegoat to cover up a long-standing practice of "providing government officials with lavish gifts and bribes."

Rosenberg said in his lawsuit that he cooperated with a company-funded probe of the bribery accusations and "provided similar information to law enforcement at both the state and federal level."

All the other Redflex officials who Schmidt said were at the meeting declined to comment for this report.

Schmidt, 50, oversaw the company's computer systems in Chicago. In a series of interviews with the Tribune, he said the Signature Lounge meeting happened on the eve of a key meeting at City Hall with the two finalists for the fledgling program. Schmidt said Finley ushered the team to the lounge, where they were surprised to meet Bills.

"That's when I really knew for the first time that we already had that contract before we even checked into the hotel that day," he said. "We were going through the motions, but it was clear to me we were getting that contract. It was a done deal."

Schmidt said he and other midlevel Redflex managers sat slack-jawed as they listened to Bills -- at the time an assistant commissioner in the city's Department of Transportation.

"Bills looked right at me and told me, 'I'm going to address you by name, but you have to pretend like we never met. It has to look on the up and up,'" Schmidt said.

"I remember glancing over at Karen, and she just put her finger to her mouth quietly as if to say ssshhh," Schmidt said. "There was a deal under the table to get that contract before we even went to the Hancock that night. It was obvious that something was going on that shouldn't be."

"I remember I got back to my hotel room and that night, and at least twice a year ever since, something would remind me and I was sure that it all would eventually come out," Schmidt said. "At the time, though, it was hear no evil, see no evil. I needed my job, and no one at that meeting ever talked about it again. "

Even before the scandal erupted, Ald. Edward Burke, 14th, longtime chairman of the city's Finance Committee, had long argued that the selection of Redflex and the subsequent expansions of its contract "contravene open and competitive procurement required by law." He argued in a series of letters to city attorneys in 2007 that the initial request for proposals was inadequate, did not properly disclose the potential scope of the program and therefore failed a legal requirement "to invite competition, to guard against favoritism, improvidence, extravagance, fraud and corruption."

In December 2002, the city issued a request for proposals for a red light camera program. There were five bidders for the trial phase of the program, records show, and Redflex was among the two finalists chosen by the panel the following month to conduct the one-camera test. The other company was Affiliated Computer Services Inc., then a heavyweight in the camera industry that has since been bought by Xerox Corp., records show.

On May 27, 2003, the selection panel picked Redflex as its contractor of choice. Since then, through a series of contract modifications, the Chicago program blossomed to become the largest and most lucrative in the nation.

The partnership between Chicago and Redflex has generated more than 4 million tickets at 190 intersections throughout the city, more than \$300 million for City Hall and more than \$100 million for Redflex.

Even though Redflex was fired amid the scandal more than a year ago by Mayor Rahm Emanuel, it has been granted a series of reprieves by the administration while a new vendor works to take over. That firm, Xerox State and Local Solutions Inc., owned by the copy machine giant, evolved from the same company that competed with Redflex in 2003 for the original business.

The Redflex scandal erupted in October 2012, after the Tribune obtained a 2-year-old internal Redflex whistleblower memo by an ousted vice president that detailed the alleged bribery scheme and lavish company-paid vacations for Bills and suggested "the level of this insider fraud would take down the contract and most likely the company."

At first Redflex disputed much of the memo, saying it thoroughly investigated the allegations internally and found them without merit except for one hotel stay for Bills at the Arizona Biltmore in 2010 that was inadvertently paid by Redflex. Company officials said their failure to notify City Hall at the time was an "oversight and a lapse."

But fallout from the news reports prompted Redflex to commission a second internal investigation, this time by former Chicago Inspector General David Hoffman. Hoffman's probe, completed last March, confirmed the allegations in the 2010 whistleblower memo and expanded upon them, the company said in its summary of Hoffman's investigation filed with the Australian Securities Exchange. Hoffman identified 17 company-paid trips for Bills -- including airfare, hotels, rental cars, golf outings and meals, according to the filing.

Hoffman also found that Redflex paid its Chicago consultant, who has personal ties to Bills, more than \$2 million, the company said. The "highly suspicious" arrangement between Redflex, the consultant and Bills "will likely be considered bribery by the authorities," the company said.

Bills retired in 2011 after a 30-year city career that saw him rise from a streetlight lamp maintenance worker to the deputy managing commissioner of the Transportation Department under former Mayor Richard M. Daley. He was a longtime top precinct captain in the political operation of House Speaker Michael Madigan.

Hoffman's findings have been turned over to federal authorities, whose work on the case has largely remained undisclosed. But Schmidt said he suspects Hoffman was never made aware of the meeting or his involvement.

"To this day, no one has come to talk to me about it," Schmidt said. "It astounds me."

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Photo: The John Hancock Center is alleged to have been the scene in 2003 of a secret coaching session between Redflex executives and a city official. BRIAN CASSELLA/TRIBUNE PHOTO

Photo: Through his lawyer, former city official John Bills denied coaching Redflex officials. Bills is under federal investigation over bribery allegations. JOHN J. KIM/TRIBUNE PHOTO

Photo: Karen Finley, Redflex vice president of operations in 2003, went on to become company president and CEO.

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